

**Emaar Properties PJSC
and its Subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 JUNE 2016

Emaar Properties PJSC and its Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements For the Period Ended 30 June 2016

Table of Contents

	<u>Pages</u>
Report on Review of Interim Condensed Consolidated Financial Statements	1
Interim Consolidated Income Statement	2
Interim Consolidated Statement of Comprehensive Income	3
Interim Consolidated Statement of Financial Position	4
Interim Consolidated Statement of Changes in Equity	5 - 6
Interim Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8 - 41

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Emaar Properties PJSC (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2016, comprising of the interim consolidated statement of financial position as at 30 June 2016, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods and statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No.: 690

10 August 2016

Dubai, United Arab Emirates

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2016 (Unaudited)

(US \$1.00 = AED 3.673)

	Notes	Six-month period ended		Three-month period ended	
		30 June	30 June	30 June	30 June
		2016	2015	2016	2015
		AED'000	AED'000	AED'000	AED'000
Revenue	5	7,256,748	6,519,964	3,727,503	3,496,532
Cost of revenue	5	(3,449,003)	(3,003,997)	(1,825,531)	(1,630,496)
GROSS PROFIT		3,807,745	3,515,967	1,901,972	1,866,036
Other operating income		143,185	147,902	80,178	82,055
Other operating expenses		(69,378)	(75,382)	(39,882)	(43,365)
Selling, general and administrative expenses	6	(1,383,674)	(1,365,502)	(723,178)	(748,736)
Finance income	7	374,119	178,158	214,375	93,898
Finance costs		(246,348)	(232,079)	(123,492)	(117,889)
Other income		75,535	114,084	51,955	116,963
Share of results of associates and joint ventures		(10,666)	77,992	32,123	(13,575)
PROFIT BEFORE TAX		2,690,518	2,361,140	1,394,051	1,235,387
Income tax credit/(expense)		1,719	55,787	(11,615)	89,505
NET PROFIT FOR THE PERIOD		2,692,237	2,416,927	1,382,436	1,324,892
ATTRIBUTABLE TO:					
Owners of the parent		2,474,891	2,204,913	1,270,293	1,179,219
Non-controlling interests		217,346	212,014	112,143	145,673
		2,692,237	2,416,927	1,382,436	1,324,892
Earnings per share attributable to the owners of the parent:					
- basic and diluted earnings per share (AED)		0.35	0.31	0.18	0.16

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2016 (Unaudited)

(US \$1.00 = AED 3.673)

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>
Net profit for the period	2,692,237	2,416,927	1,382,436	1,324,892
<i>Other comprehensive income/(loss) to be reclassified to income statement in subsequent periods:</i>				
(Decrease)/increase in hedging reserve	(64,063)	(13,710)	(9,679)	14,971
(Decrease)/increase in unrealised losses reserve	(1,063)	(9,230)	37	-
Decrease in foreign currency translation reserve	(735,209)	(260,837)	(325,262)	(53,824)
Foreign currency translation loss recycled to income statement	1,321,013	-	1,321,013	-
Net other comprehensive income/(loss) to be reclassified to income statement in subsequent periods	520,678	(283,777)	986,109	(38,853)
<i>Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods:</i>				
Increase in unrealised gains/(losses) reserve	45,538	44,721	9,577	129,380
Realised gain on fair value movement through other comprehensive income	2,483	6,770	2,483	3,401
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods	48,021	51,491	12,060	132,781
Total comprehensive income for the period	3,260,936	2,184,641	2,380,605	1,418,820
ATTRIBUTABLE TO:				
Owners of the parent	3,085,638	1,979,567	2,264,468	1,272,573
Non-controlling interests	175,298	205,074	116,137	146,247
	3,260,936	2,184,641	2,380,605	1,418,820

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(US \$1.00 = AED 3.673)

		30 June 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
	Notes		
ASSETS			
Bank balances and cash	8	18,717,056	17,918,972
Trade and unbilled receivables	9	2,362,044	2,616,981
Other assets, receivables, deposits and prepayments	10	7,447,096	4,814,487
Development properties	11	33,311,605	21,356,561
Assets classified as held for sale	4	5,214,894	-
Investments in securities	12	1,700,716	1,652,237
Loans to associates and joint ventures	13	118,424	3,022,175
Investments in associates and joint ventures	14	4,629,157	6,696,930
Property, plant and equipment		9,256,929	9,333,284
Investment properties		12,932,108	12,099,101
Goodwill		46,066	46,066
TOTAL ASSETS		95,736,095	79,556,794
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	15	13,650,387	9,350,397
Advances from customers		16,184,357	14,071,943
Liabilities directly associated with assets classified as held for sale	4	2,893,939	-
Retentions payable		951,149	803,292
Interest-bearing loans and borrowings	16	8,673,412	6,874,794
Sukuk	17	6,403,007	6,399,132
Provision for employees' end-of-service benefits		150,780	136,104
TOTAL LIABILITIES		48,907,031	37,635,662
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	7,159,739	7,159,739
Employees' performance share program		(1,684)	(1,684)
Reserves	19	17,546,333	16,938,069
Retained earnings		15,388,356	14,018,215
		40,092,744	38,114,339
Non-controlling interests		6,736,320	3,806,793
TOTAL EQUITY		46,829,064	41,921,132
TOTAL LIABILITIES AND EQUITY		95,736,095	79,556,794

The interim condensed consolidated financial statements were authorised for issue on 10 August 2016 by the Board of Directors and signed on their behalf by:

Chairman

Director

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2016 (Unaudited)

(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 as at 31 December 2015 (<i>Audited</i>)	7,159,739	(1,684)	16,938,069	14,018,215	38,114,339	3,806,793	41,921,132
Net profit for the period	-	-	-	2,474,891	2,474,891	217,346	2,692,237
Other comprehensive income / (loss) for the period	-	-	608,264	2,483	610,747	(42,048)	568,699
Total comprehensive income for the period	-	-	608,264	2,477,374	3,085,638	175,298	3,260,936
Non-controlling interest arising on a business combination (Note 4)	-	-	-	-	-	2,955,082	2,955,082
Directors' bonus (Note 21)	-	-	-	(28,575)	(28,575)	-	(28,575)
Dividend paid to shareholders (Note 20)	-	-	-	(1,073,961)	(1,073,961)	-	(1,073,961)
Dividend and directors' bonus of a subsidiary	-	-	-	(4,697)	(4,697)	(200,853)	(205,550)
Balance as at 30 June 2016	7,159,739	(1,684)	17,546,333	15,388,356	40,092,744	6,736,320	46,829,064

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 June 2016 (Unaudited)

(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 equity AED '000
Balance as at 31 December 2014 (Audited)	7,159,739	(1,684)	16,407,081	9,445,391	33,010,527
Effect of changes in accounting policy	-	-	-	2,103,203	2,103,203
Balance at 1 January 2015	7,159,739	(1,684)	16,407,081	11,548,594	35,113,730
Net profit for the period	-	-	-	2,204,913	2,204,913
Other comprehensive (loss) / income for the period	-	-	(232,116)	6,770	(225,346)
Total comprehensive income for the period	-	-	(232,116)	2,211,683	1,979,567
Acquisition of non-controlling interest	-	-	2,197	(47,189)	(44,992)
Dilution of investment in a subsidiary	-	-	697,309	(85,860)	611,449
Directors' bonus	-	-	-	(23,049)	(23,049)
Dividend	-	-	-	(1,073,961)	(1,073,961)
Balance as at 30 June 2015	7,159,739	(1,684)	16,874,471	12,530,218	36,562,744
				3,308,880	39,871,624

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2016 (Unaudited)

(US \$1.00 = AED 3.673)
For the six-month period ended

		30 June 2016 AED'000	30 June 2015 AED'000
	Notes		
Cash flows from operating activities			
Profit before tax for the period		2,690,518	2,361,140
Adjustments for:			
Share of results of associates and joint ventures		10,666	(77,992)
Depreciation		466,538	439,928
Provision for end-of-service benefits, net		5,263	10,680
Loss on disposal of property, plant and equipment		11,941	442
Loss on disposal of investment property		4,035	9,792
Gain on re-measurement of previously existing interest in an associate, net	4	(57,865)	-
Finance costs		246,348	232,079
Finance income	7	(374,119)	(178,158)
Cash from operations before working capital changes:		3,003,325	2,797,911
Trade and unbilled receivables		272,291	(618,172)
Other assets, receivables, deposits and prepayments		(456,437)	(319,333)
Development properties		(423,564)	(76,396)
Advances from customers		372,097	1,552,088
Trade and other payables		118,296	(80,557)
Retentions payable		97,200	54,932
Income tax, net		8,604	(6,745)
Net cash flows from operating activities		2,991,812	3,303,728
Cash flows from investing activities			
Purchase of securities		(107,300)	(11,088)
Proceeds from disposal of securities		8,242	11,819
Finance income received		165,384	109,033
Dividend received from associates and joint ventures		74,540	67,706
Additional investments in and loans to associates and joint ventures		(4,389)	(3,041)
Amounts incurred on investment properties		(817,761)	(200,769)
Purchase of property, plant and equipment		(540,823)	(609,090)
Proceeds from disposal of property, plant and equipment		4,871	1,794
Deposits maturing after three months (including deposits under lien)		1,072,676	1,231,744
Net cash and cash equivalents acquired on acquisition of a subsidiary		13,503	-
Advance for acquisition of interest in a joint venture		(199,479)	-
Net cash flows (used in)/from investing activities		(330,536)	598,108
Cash flows from financing activities			
Dividends paid (including dividends of a subsidiary)		(1,284,936)	(2,339,673)
Proceeds from interest-bearing loans and borrowings	16	1,116,889	490,327
Repayment of interest-bearing loans and borrowings	16	(290,700)	(225,282)
Directors' bonus paid (including directors' bonus of a subsidiary)		(34,125)	(23,049)
Proceeds from dilution of investment in a subsidiary		-	1,097,553
Finance costs paid		(273,731)	(216,550)
Net cash flows used in financing activities		(766,603)	(1,216,674)
Increase in cash and cash equivalents		1,894,673	2,685,162
Net foreign exchange difference		(115,778)	(34,325)
Cash and cash equivalents at the beginning of the period		8,881,842	7,670,753
Cash and cash equivalents at the end of the period	8	10,660,737	10,321,590

The accompanying notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2016 (Unaudited)

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 30 June 2017 (as amended).

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* and applicable requirements of the United Arab Emirates laws.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

The interim condensed 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 interim condensed 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.

Results for the six-month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). 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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

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.

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 interim 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 interim 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 narrow and well-defined objectives. The financial information of special purpose entities is included in the Group's interim condensed 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.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2016 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim condensed 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 interim condensed consolidated financial statements of the Group are discussed below:

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 circumstances 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 assesses 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 asset 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.

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, they 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*.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

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

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.

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.

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 establishes 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- 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
- These amendments do not have any impact on the Group.
- Amendments to IAS 1 Disclosure Initiative

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

At the date of authorisation of these interim condensed 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.

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).

The management is currently assessing the impact of the above standard which will be adopted by the Group to the extent applicable.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim condensed 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 interim 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.

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.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2016 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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 interim 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 interim 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.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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.

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 interim 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 interim 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.

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 interim 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the interim 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 interim 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 interim consolidated income statement from that date.

Cash flow hedges

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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 interim consolidated income statement.

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 interim 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 interim consolidated income statement. For financial assets designated at fair value through other comprehensive income any foreign exchange component is recognised in the interim 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 interim 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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.

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 interim 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 interim 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 interim 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 interim 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 interim consolidated income statement.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

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 interim consolidated income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim 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.

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.

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 interim 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 interim 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling 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 interim 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 interim consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the interim condensed 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 interim condensed 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 interim condensed 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, information technology 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 a number of countries outside the UAE and is engaged in development of several projects which have significant impact on the Group results.

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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2016 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments

The following tables include revenue, profit and certain assets and liabilities information regarding business segments for the six-month and three-month periods ended 30 June 2016 and 30 June 2015. Assets and liabilities of the business segments are presented as at 30 June 2016 and 31 December 2015.

	<i>Real estate</i> <i>AED'000</i>	<i>Leasing and related activities</i> <i>AED'000</i>	<i>Hospitality</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Six-month period ended					
30 June 2016:					
Revenue					
Revenue from external customers					
- Over a period of time	4,162,199	-	-	-	4,162,199
- Single point in time / leasing revenue	178,511	2,195,532	720,506	-	3,094,549
	<u>4,340,710</u>	<u>2,195,532</u>	<u>720,506</u>	<u>-</u>	<u>7,256,748</u>
Results					
Contribution for the period	<u>1,473,476</u>	<u>1,408,483</u>	<u>36,164</u>	<u>99,284</u>	<u>3,017,407</u>
Unallocated selling, general and administrative expenses					(366,986)
Unallocated finance income, net					40,097
Profit before tax for the period					<u>2,690,518</u>
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	<u>68,750</u>	<u>841,459</u>	<u>436,973</u>	<u>11,402</u>	<u>1,358,584</u>
Depreciation (property, plant and equipment and investment properties)	<u>80,641</u>	<u>242,552</u>	<u>113,762</u>	<u>29,593</u>	<u>466,538</u>
Three-month period ended					
30 June 2016:					
Revenue					
Revenue from external customers					
- Over a period of time	2,279,770	-	-	-	2,279,770
- Single point in time / leasing revenue	86,197	1,047,233	314,303	-	1,447,733
	<u>2,365,967</u>	<u>1,047,233</u>	<u>314,303</u>	<u>-</u>	<u>3,727,503</u>
Results					
Contribution for the period	<u>848,651</u>	<u>643,819</u>	<u>(20,204)</u>	<u>74,228</u>	<u>1,546,494</u>
Unallocated selling, general and administrative expenses					(182,955)
Unallocated finance income, net					30,512
Profit before tax for the period					<u>1,394,051</u>

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2016 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	<i>Real estate AED'000</i>	<i>Leasing and related activities AED'000</i>	<i>Hospitality AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Assets and liabilities					
As at 30 June 2016					
Segment assets	69,139,349	17,221,438	5,829,307	3,546,001	95,736,095
Segment liabilities	38,606,759	8,975,498	757,711	567,063	48,907,031
	<i>Real estate AED'000</i>	<i>Leasing and related activities AED'000</i>	<i>Hospitality AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Six-month period ended 30 June 2015:					
Revenue					
Revenue from external customers					
- Over a period of time	3,031,827	-	-	-	3,031,827
- Single point in time / leasing revenue	588,431	2,015,783	883,923	-	3,488,137
	3,620,258	2,015,783	883,923	-	6,519,964
Results					
Contribution for the period	1,130,208	1,249,036	194,522	58,175	2,631,941
Unallocated selling, general and administrative expenses					(312,032)
Unallocated finance income, net					41,231
Profit before tax for the period					2,361,140
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	39,802	242,244	526,036	1,777	809,859
Depreciation (property, plant and equipment and investment properties)	69,721	219,718	121,227	29,262	439,928
Three-month period ended 30 June 2015:					
Revenue					
Revenue from external customers					
- Over a period of time	1,636,039	-	-	-	1,636,039
- Single point in time / leasing revenue	483,686	987,899	388,908	-	1,860,493
	2,119,725	987,899	388,908	-	3,496,532

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2016 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	<i>Real estate AED'000</i>	<i>Leasing and related activities AED'000</i>	<i>Hospitality AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Results					
Contribution for the period	706,913	599,331	48,392	27,299	1,381,935
Unallocated selling, general and administrative expenses					(167,395)
Unallocated finance income, net					20,847
Profit before tax for the period					1,235,387

	<i>Real estate AED'000</i>	<i>Leasing and related activities AED'000</i>	<i>Hospitality AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
Assets and liabilities					
As at 31 December 2015 (Audited)					
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

Geographic segments

The following tables include revenue and other segment information for the six-month and three-month periods ended 30 June 2016 and 30 June 2015. Certain assets information for geographic segments is presented as at 30 June 2016 and 31 December 2015.

	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Six-month period ended 30 June 2016:			
Revenue			
Revenue from external customers			
- Over period of time	3,166,417	995,782	4,162,199
- Single point in time / leasing revenue	2,980,060	114,489	3,094,549
	6,146,477	1,110,271	7,256,748
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	968,383	390,201	1,358,584

Three-month period ended 30 June 2016:

Revenue			
Revenue from external customers			
- Over period of time	1,771,578	508,192	2,279,770
- Single point in time / leasing revenue	1,383,581	64,152	1,447,733
	3,155,159	572,344	3,727,503

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

3 SEGMENT INFORMATION (continued)

Geographic segments (continued)

	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Assets			
<i>As at 30 June 2016</i>			
Segment assets	52,958,702	38,148,236	91,106,938
Investments in associates and joint ventures	1,857,516	2,771,641	4,629,157
Total assets	54,816,218	40,919,877	95,736,095
	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
<i>Six-month period ended 30 June 2015:</i>			
Revenue			
Revenue from external customers			
- Over period of time	1,924,481	1,107,346	3,031,827
- Single point in time/ leasing revenue	3,297,763	190,374	3,488,137
	5,222,244	1,297,720	6,519,964
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	781,971	27,888	809,859
<i>Three-month period ended 30 June 2015:</i>			
Revenue			
Revenue from external customers			
- Over period of time	840,426	795,613	1,636,039
- Single point in time / leasing revenue	1,743,861	116,632	1,860,493
	2,584,287	912,245	3,496,532
Assets			
<i>As at 31 December 2015 (Audited)</i>			
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

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

4 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

In May 2016, the Group filed a scheme of arrangement with the Delhi High Court in India for the demerger ("demerger scheme") of the operations of its associate, Emaar MGF Land Limited ("EMGF"), based on the agreement reached between the Group and the other promoter group in EMGF. The demerger is part of the Group's strategic plan to implement a more focused strategy for its real estate business in India and to allow it to undertake future expansion strategies. Accordingly, on 18 May 2016, the original joint venture agreement and the memorandum and articles of association of EMGF have been amended, resulting in the Group gaining control of the operations of EMGF.

In addition to gaining control, the Group has also increased its equity stake in EMGF through transfer of ownership of 7.68% from the other promoter group of EMGF to the Group in lieu of indemnities given for loans provided as agreed in the demerger scheme (note 13). This resulted in the Group increasing its ownership interest in EMGF from 48.86% to 56.54%. The transaction has been accounted for using the acquisition method with effect from the date of acquisition. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The resultant net gain from the above transactions of AED 57,865 thousands is included in other income in the interim consolidated income statement.

Assets acquired and liabilities assumed

The fair values of the identified assets and liabilities of EMGF as at the date of acquisition were:

	<i>Provisional fair value recognised on acquisition* AED'000</i>
Assets	
Property, plant and equipment	206,909
Development properties (note 11)	10,702,375
Investment properties	168,102
Investment in securities	14,272
Bank balances and cash	105,368
Trade and unbilled receivables	17,354
Other assets, receivables, deposits and prepayments	1,353,338
Assets held for sale (i)	5,214,894
Total assets	17,782,612
Liabilities	
Interest-bearing loans and borrowings	1,949,918
Contingent liabilities (note 15)	428,492
Retentions payable	50,657
Deferred tax liabilities (ii)	2,488,005
Provision for employees' end-of-service benefits	9,413
Trade and other payables	1,311,180
Advances from customers	1,740,317
Minority interest	115,519
Liabilities directly associated with assets classified as held for sale (i)	2,893,939
Total liabilities	10,987,440
Total identifiable net assets at fair value	6,795,172
Non-controlling interests acquired (7.68 % of net assets at fair value)	521,869
Less: Purchase consideration transferred (Note 13 (ii))	419,591
Gain arising on acquisition of non-controlling interests	102,278

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

4 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

	<i>AED'000</i>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	105,368
Cash paid	<u> </u>
Net cash inflow on acquisition (includes cash and cash equivalents of AED 13,503 thousands included in cash flows from investing activities in the consolidated statement of cash flows)	<u><u>105,368</u></u>

*The above purchase accounting has been completed on a provisional basis. The assets and liabilities may be subsequently adjusted with a corresponding adjustment to gain on acquisition of control over EMGF within the measurement period of twelve months allowed in IFRS 3 *Business Combinations*.

The contingent liabilities at fair value were recognised in accordance with IFRS 3, resulting from claims of tax authorities, customers and various outstanding litigations pertaining to EMGF. These are subject to legal arbitration and are only expected to be finalised in subsequent periods.

- (i) As part of the demerger scheme, the Group has agreed to transfer certain assets and liabilities directly associated with those assets (the "disposal group") to the other promoter group of EMGF. The board members of EMGF approved the plan to transfer the disposal group, which includes fixed assets, land, buildings, development properties, trade receivables, other assets, interest-bearing loans and borrowings, and other payables of EMGF. The transfer of the disposal group is expected to be completed by 1 April 2017.
- (ii) The Group has recognised deferred tax liabilities arising from the fair value of assets acquired and liabilities assumed in the business combination in accordance with IAS 12.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

5 REVENUE AND COST OF REVENUE

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>
Revenue				
Revenue from property sales				
Sale of condominiums	1,814,960	1,610,960	1,063,724	773,255
Sale of villas	2,184,446	1,294,443	1,151,007	843,105
Sale of commercial units, plots of land and others	341,304	714,855	151,236	503,365
Revenue from hospitality	720,506	883,923	314,303	388,908
Revenue from leasing and related activities	2,195,532	2,015,783	1,047,233	987,899
	7,256,748	6,519,964	3,727,503	3,496,532
Cost of revenue				
Cost of revenue from property sales				
Cost of condominiums	1,266,469	1,187,709	741,804	563,751
Cost of villas	1,285,337	791,874	641,302	538,608
Cost of commercial units, plots of land and others	134,805	193,239	88,516	103,565
Operating cost of hospitality	441,441	511,762	193,164	253,053
Operating cost of leasing and related activities	320,951	319,413	160,745	171,519
	3,449,003	3,003,997	1,825,531	1,630,496

6 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>
Payroll and related expenses	331,106	304,601	170,254	149,521
Depreciation of property, plant and equipment	297,583	297,986	148,746	153,008
Depreciation of investment properties	168,955	141,942	85,485	71,419
Sales and marketing expenses	162,893	273,211	80,633	170,041
Property management expenses	129,980	136,649	63,462	68,030
Land registration fees	13,833	7,394	6,533	4,943
Other expenses	279,324	203,719	168,065	131,774
	1,383,674	1,365,502	723,178	748,736

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2016 (Unaudited)

7 FINANCE INCOME

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>
Finance income on fixed deposits with banks	141,316	59,263	73,400	31,549
Other finance income	232,803	118,895	140,975	62,349
	374,119	178,158	214,375	93,898

8 BANK BALANCES AND CASH

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
Cash in hand	4,822	7,217
Current and call bank deposit accounts	9,180,267	7,882,211
Fixed deposits maturing within three months	1,475,648	992,414
Cash and cash equivalents	10,660,737	8,881,842
Deposits under lien (Note 16)	119,819	27,208
Fixed deposits maturing after three months	7,936,500	9,009,922
	18,717,056	17,918,972
Bank balances and cash located:		
Within UAE	16,838,934	16,430,648
Outside UAE	1,878,122	1,488,324
	18,717,056	17,918,972
Bank balances and cash are denominated in the following currencies:		
United Arab Emirates Dirham (AED)	16,838,934	16,430,648
Egyptian Pound (EGP)	1,082,042	961,003
United States Dollar (USD)	447,248	241,959
Saudi Riyal (SAR)	168,404	220,818
Indian Rupee (INR)	111,866	6,479
Moroccan Dirham (MAD)	43,469	42,894
Other currencies	25,093	15,171
	18,717,056	17,918,972

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 2.70% per annum (31 December 2015: 1.30% and 2.95% per annum).

Bank balances maintained in the UAE includes an amount of AED 15,791 thousands (31 December 2015: AED 16,791 thousands) committed for investments in a project in Syria.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

8 BANK BALANCES AND CASH (continued)

The Company is required to maintain certain deposits/balances amounting to AED 10,749,509 thousands (31 December 2015: AED 9,432,428 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

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
Trade receivables		
Amounts receivable within 12 months, net	697,374	556,665
Unbilled receivables		
Unbilled receivables within 12 months, net	1,048,284	1,273,356
Unbilled receivables after 12 months, net	616,386	786,960
	1,664,670	2,060,316
Total trade and unbilled receivables at period / year-end	2,362,044	2,616,981

The above trade receivables are net of AED 131,730 thousands (31 December 2015: AED 128,541 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.

10 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
Advances to contractors and others	1,571,590	1,332,865
Prepayments (including prepaid lease rentals)	1,222,091	1,209,654
Deposits for acquisition of land	1,106,125	36,703
Recoverable from non-controlling interests (ii)	1,053,692	605,625
Value added tax recoverable	508,853	404,394
Deferred sales commission (iii)	368,373	243,290
Advance for investment in a joint venture (i)	199,479	-
Other income receivable	194,583	134,647
Receivables from Communities Owner Associations	183,532	149,163
Advance tax	140,762	10,347
Deferred income tax assets	93,047	70,393
Accrued interest	82,258	66,786
Inventory - Hospitality and Retail	68,576	77,186
Other receivables and deposits	654,135	473,434
	7,447,096	4,814,487
Other assets, receivables, deposits and prepayments maturity profile:		
Amounts recoverable within 12 months	4,980,459	2,860,501
Amounts recoverable after 12 months	2,466,637	1,953,986
	7,447,096	4,814,487

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

10 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

- (i) During the period, the Group made a payment of USD 54,310 thousands (AED 199,479 thousands) towards investment in a joint venture with Ekopark Turizm İnşaat Sanayii ve Ticaret A.Ş. for a mixed-use development project in Turkey. The legal formalities relating to the joint venture are under process as at the reporting date.
- (ii) Recoverable from non-controlling interests includes:
- AED 500 million (31 December 2015: AED 500 million) receivable from the partner of a subsidiary of the Group, which carries interest at EIBOR plus 1.75% per annum (31 December 2015: EIBOR plus 1.75% per annum) and is receivable in 2020.
 - AED 388 million (31 December 2015: AED Nil) receivable from the other promotor group of EMGF as per the demerger scheme, which carries interest at 12% per annum and is receivable by 2019.
- (iii) The deferred sales commission expense incurred to obtain or fulfil a contract with the customers is amortised over the period of satisfying performance obligations where applicable.

11 DEVELOPMENT PROPERTIES

	30 June 2016 AED'000	
Balance at the beginning of the period (<i>Audited</i>)	21,356,561	
Add: Acquisition of a subsidiary (note 4)	10,702,375	
Add: Cost incurred during the period	3,483,076	
Less: Cost transferred to cost of revenue during the period	(2,686,611)	
Add: Cost transferred from property, plant and equipment*	469,648	
Less: Cost transferred to investment properties	(13,444)	
Balance at the end of the period	33,311,605	
	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Development properties located:		
Within UAE	12,814,510	12,043,624
Outside UAE	20,497,095	9,312,937
	33,311,605	21,356,561

*The Group has transferred certain costs from property, plant and equipment to development properties based on the intended use of such developments.

12 INVESTMENTS IN SECURITIES

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Financial assets at fair value through other comprehensive income (i)	804,728	743,340
Financial assets at amortised cost	895,988	908,897
	1,700,716	1,652,237

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

12 INVESTMENTS IN SECURITIES (continued)

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Investments in securities located:		
Within UAE	725,091	686,045
Outside UAE	975,625	966,192
	1,700,716	1,652,237

- (i) Financial assets at fair value through other comprehensive income includes a contingent convertible instrument at fair value of AED 5,737 thousands (31 December 2015: AED 5,737 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 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
30 June 2016	804,728	85,214	692,075	27,439
31 December 2015 (Audited)	743,340	85,549	630,352	27,439

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 period.

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.

13 LOANS TO ASSOCIATES AND JOINT VENTURES

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Amlak Finance PJSC (i)	111,930	108,782
Emaar MGF Land Limited and its related parties (ii)	-	2,731,228
Golden Ace Pte Ltd (ii)	-	175,312
Other associates and joint ventures	6,494	6,853
	118,424	3,022,175

- (i) As per the terms of the restructuring agreement entered in 2014, 20% of the principal amount of the loan was repaid by Amlak in 2014, 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).

The CCI has 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 (31 December 2015: AED 5,737 thousands) and is included under Financial assets through other comprehensive income (refer Note 12). 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.

- (ii) Loan to Golden Ace Pte Ltd and part of the loans to Emaar MGF and its related parties have been settled during the period through the transfer of 7.68% ownership interest in EMGF to the Group by the other promotor group of EMGF (refer note 4).

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Emaar, The Economic City (Saudi Joint Stock Company) - quoted	2,574,417	2,558,308
Emaar MGF Land Limited (i)	-	2,105,278
Amlak Finance PJSC – quoted (ii)	793,930	751,962
Emaar Bawadi LLC	455,802	449,544
Turner International Middle East Ltd	312,757	338,965
Emaar Industries and Investment (Pvt) JSC	133,445	126,895
Mirage Leisure and Development Inc.	130,677	125,213
Dead Sea Company for Tourist and Real Estate Investment	121,212	123,598
Others	106,917	117,167
	4,629,157	6,696,930

- (i) During the period, subsequent to filing of the demerger scheme with Delhi High Court in India, the Group has acquired control of Emaar MGF Land Limited (“EMGF”) and consequently EMGF has become a subsidiary of the Group. Accordingly, as per IFRS 3 *Business Combinations*, the Group’s investment in EMGF, which was previously recorded as investment in an associate, has been deemed to be disposed (refer note 4) and the EMGF balances have been included in the interim condensed consolidated financial statements through line-by-line consolidation in accordance with IFRS 10 *Consolidated Financial Statements*.
- (ii) The auditors have issued a qualified opinion on the consolidated financial statements of Amlak Finance PJSC as of 31 December 2015 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.

15 TRADE AND OTHER PAYABLES

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Project contract cost accruals and provisions	4,874,317	4,098,732
Deferred income tax payable	2,491,883	4,544
Payable to non-controlling interests	1,012,846	1,013,309
Trade payables	858,106	1,022,517
Contingent liabilities arising on acquisition of a subsidiary (note 4)	428,492	-
Creditors for land purchase	352,970	453,414
Dividends payable	289,482	300,457
Income tax payable	120,741	54,421
Other payables and accruals	3,221,550	2,403,003
	13,650,387	9,350,397

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

16 INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Balance at the beginning of the period / year	6,914,909	6,006,848
Add: Acquisition of a subsidiary	968,866	-
Add: Borrowings drawn down during the period / year	1,116,889	1,588,353
Less: Borrowings repaid during the period / year	(290,700)	(680,292)
Balance at the end of the period / year	8,709,964	6,914,909
Less: unamortised portion of directly attributable costs	(36,552)	(40,115)
Net interest-bearing loans and borrowings at the end of the period / year	8,673,412	6,874,794
<i>Interest-bearing loans and borrowings maturity profile:</i>		
within 12 months	639,706	325,009
after 12 months	8,033,706	6,549,785
Balance at the end of the period / year	8,673,412	6,874,794
<i>Interest-bearing loans and borrowings located:</i>		
Within UAE	5,283,779	5,142,960
Outside UAE	3,389,633	1,731,834
	8,673,412	6,874,794

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

Secured

- USD 500,000 thousands (AED 1,836,500 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 20,347 thousands (AED 74,735 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 13,146 thousands (AED 48,285 thousands) loan from a commercial bank, secured against certain assets in Lebanon, carries interest at 1.075% 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.
- AED 137,257 thousands represents partial drawdown out of AED 750,000 thousand loan facility from a commercial bank, secured against certain assets in the United Arab Emirates, carries interest at EIBOR plus 2.5% per annum and is repayable by 2026.
- INR 13,387,182 thousands (AED 728,169 thousands) loan from commercial banks and financial institutions, secured against certain assets in India, carries interest at rates ranging from 12% to 25% per annum and is repayable by 2021.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

16 INTEREST-BEARING LOANS AND BORROWINGS (continued)

Unsecured

- During 2014, the Group has drawn down USD 1,250,000 thousands (AED 4,591,250 thousands) Syndicated Murabaha Islamic Finance Facility (the "Syndicated Facility") availed from a syndication of commercial banks in UAE. The Syndicated Facility is presented in the interim condensed consolidated financial statements at AED 4,554,698 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 28,123 thousands (31 December 2015: AED 27,208 thousands) (refer note 8) towards accrued interest.
- PKR 3,942,288 thousands (AED 138,374 thousands) loan from commercial banks, bearing interest at KIBOR plus 0.15% - 0.54% per annum and is repayable in 2016.
- PKR 1,342,095 thousands (AED 47,108 thousands) loan from a commercial bank, bearing interest at KIBOR plus 0.30% per annum and is fully repayable in 2016.
- Egyptian Pound (EGP) 113,135 thousands (AED 46,804 thousands) of funding facilities from commercial banks in Egypt, carries interest at rates ranging from 0.50% to 1.50% plus CBE Corridor Rate and repayable by 2021.
- USD 57,000 thousands (AED 209,360 thousands) loan from a commercial bank in Lebanon, carries interest at rates ranging from 3.25% to 3.75% per annum and is repayable by 2018.
- SAR 20,016 thousands (AED 19,600 thousands) loan from a commercial bank bearing interest at SIBOR plus 1% per annum and is repayable in 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 (the "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. Subsequent to the reporting date, in August 2016, the Group has drawn down remaining USD 475,000 thousands (AED 1,744,675 thousands) of the Facility, which carries interest at LIBOR plus 1.75% to 1.85%.
- INR 4,425,147 thousands (AED 240,697 thousands) loan from commercial banks in India, carries interest at 5.50% to 12% per annum and is repayable by 2018. The banks have a lien of AED 91,696 thousands (refer note 8) towards various facilities.

17 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. The carrying value of Sukuk 1 is as follows:

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Sukuk liability as at period / year-end	1,836,145	1,834,117

Subsequent to the reporting date, on 3 August 2016, the Issuer has fully repaid the Sukuk 1 liability.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

17 SUKUK (continued)

A. Emaar Sukuk Limited (continued):

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:

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Sukuk liability as at period / year-end	1,830,078	1,829,148

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. 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:

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Sukuk liability as at period / year-end	2,736,784	2,735,867

The total Sukuk liability is as follows:

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Emaar Sukuk Limited:		
- Series 1	1,836,145	1,834,117
- Series 2	1,830,078	1,829,148
EMG Sukuk Limited:		
- Sukuk	2,736,784	2,735,867
Total Sukuk liability at the period / year-end	6,403,007	6,399,132

18 SHARE CAPITAL

	30 June 2016 AED'000	31 December 2015 AED'000 (Audited)
Authorised capital 7,159,738,882 shares of AED 1 each (31 December 2015: 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 (31 December 2015: 7,159,738,882 shares of AED 1 each)	7,159,739	7,159,739

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2016 (Unaudited)

19 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 31 December 2015 (<i>Audited</i>)	15,220,245	3,660	4,354,608	(22,824)	578,234	(1,162,853)	(2,033,001)	16,938,069
(Decrease)/increase in unrealised reserve	-	-	-	(49,876)	-	44,286	-	(5,590)
Decrease in foreign currency translation reserve	-	-	-	-	-	-	(707,159)	(707,159)
Foreign currency translation loss recycled to income statement on acquisition of EMGF (Note 4)	-	-	-	-	-	-	1,321,013	1,321,013
Net (loss)/gain recognised directly in equity	-	-	-	(49,876)	-	44,286	613,854	608,264
Balance as at 30 June 2016	15,220,245	3,660	4,354,608	(72,700)	578,234	(1,118,567)	(1,419,147)	17,546,333
Balance as at 31 December 2014 (<i>Audited</i>)	15,220,245	3,660	3,712,601	(2,503)	-	(934,849)	(1,592,073)	16,407,081
(Decrease)/increase in unrealized reserve	-	-	-	(11,603)	-	35,495	-	23,892
Decrease in foreign currency translation reserve	-	-	-	-	-	-	(256,008)	(256,008)
Net (loss)/gain recognised directly in equity	-	-	-	(11,603)	-	35,495	(256,008)	(232,116)
Acquisition of non-controlling interest	-	-	-	-	-	-	2,197	2,197
Dilution of investment in a subsidiary	-	-	-	-	667,887	-	29,422	697,309
Balance as at 30 June 2015	15,220,245	3,660	3,712,601	(14,106)	667,887	(899,354)	(1,816,462)	16,874,471

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

20 DIVIDEND

A cash dividend of AED 0.15 per share for 2015 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 18 April 2016.

21 RELATED PARTY DISCLOSURES

For the purpose of these interim condensed 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.

Related party transactions

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

	<i>Six-month period ended</i>	
	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>
Associates and Joint Ventures:		
Finance income earned on loans	49,460	58,202
Property development expenses	57,915	56,011
Capital expenditure	9,545	8,103
Rental income from leased properties and related income	2,224	1,268
Cost of revenue	1,449	336
Islamic finance income	1,351	1,705
Selling, general and administrative expenses	596	1,538
Other operating income	485	524
Other income	37	50
Directors, Key management personnel and their related parties:		
Rental income from leased properties and related income	56,876	58,250
Other finance income	12,086	5,731
Selling, general and administrative expenses	20,718	19,709
Cost of revenue	9,904	11,951
Islamic finance income	14,629	6,434
Finance costs incurred on interest-bearing loans and borrowings	19,614	5,620
Revenue from hospitality	1,135	1,596
Property development expenses	1,054	1,359
Other operating income	54	178
Sale of property	11,513	5,619
Other income	-	3,278

Related party balances

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

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
Associates and joint ventures:		
Trade and other payables	63,716	55,608
Trade receivables	223	314

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

21 RELATED PARTY DISCLOSURES (continued)

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
<i>Directors, Key management personnel and their related parties:</i>		
Bank balances and cash	2,904,778	3,994,639
Interest-bearing loans and borrowings	749,275	749,610
Investment in securities at fair value through other comprehensive income	67,885	69,316
Advance from customers	20,590	22,794
Other assets, receivables, deposits and prepayments	4,412	9,646
Trade and other payables	3,381	6,055
Trade receivables	6,156	7,668

Compensation of key management personnel

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

	<i>30 June 2016 AED'000</i>	<i>30 June 2015 AED'000</i>
Short-term benefits	181,297	162,300
Employees' end-of-service benefits	9,163	13,235
	<u>190,460</u>	<u>175,535</u>

During the period, the number of key management personnel is 213 (30 June 2015: 210).

During the period, the Company has paid a bonus of AED 3,572 thousands to each of the non-executive members of the Board of Directors for the year 2015 as approved by the shareholders at the Annual General Meeting of the Company held on 18 April 2016.

22 GUARANTEES AND CONTINGENCIES

1. The Group has issued financial guarantee and letter of credit of AED 166,413 thousands (31 December 2015: AED 106,776 thousands).
2. The Group has provided a financial guarantee of AED 5,000 thousands (31 December 2015: 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.
3. The Group has provided a financial guarantee of AED 3,287 thousands (31 December 2015: AED 3,287 thousands) as a security for the performance of its contractual obligations.
4. The Group has provided a performance guarantee of AED 2,998,808 thousands (31 December 2015: AED 2,369,723 thousands) to the Real Estate Regulatory Authority (RERA), Dubai for its new projects as per RERA regulations.
5. The Group has provided a corporate guarantee of AED 73,460 thousands (31 December 2015: AED 73,460 thousands) to a commercial bank as a security for the guarantees issued bank on behalf of joint venture of the Group.
6. The Group has provided a performance guarantee of AED 117,298 thousands to various government authorities in India for its projects.

During the period, 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.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

23 COMMITMENTS

At 30 June 2016, the Group had commitments of AED 16,215,233 thousands (31 December 2015: AED 17,112,746 thousands) which include project commitments of AED 15,657,155 thousands (31 December 2015: AED 16,624,543 thousands). This represents the value of contracts issued at 30 June 2016 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 are as follows:

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
Within one year	123,542	112,969
After one year but not more than five years	145,967	135,277
More than five years	77,913	-
	<u>347,422</u>	<u>248,246</u>

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:

	<i>30 June 2016 AED'000</i>	<i>31 December 2015 AED'000 (Audited)</i>
Within one year	2,189,259	2,142,096
After one year but not more than five years	3,278,492	3,417,963
More than five years	932,756	933,892
	<u>6,400,507</u>	<u>6,493,951</u>

24 HEDGING ACTIVITIES

Cash flow hedges

At 30 June 2016, 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 (31 December 2015: USD 725,000 thousands and AED 500,000 thousands).

	<i>30 June 2016</i>		<i>31 December 2015 (Audited)</i>	
	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>	<i>Assets AED'000</i>	<i>Liabilities AED'000</i>
<i>Interest rate swap contracts</i>				
Fair value	-	98,442	-	34,379

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) As at 30 June 2016 (Unaudited)

24 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:

	<i>Total</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
30 June 2016				
Interest rate swap contracts	<u>98,442</u>	<u>-</u>	<u>98,442</u>	<u>-</u>
31 December 2015 (Audited)				
Interest rate swap contracts	<u>34,379</u>	<u>-</u>	<u>34,379</u>	<u>-</u>

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.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, investment in securities, loans and advances, other receivables 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.