Emaar Malls PJSC and its subsidiaries
(Formerly known as Emaar Malls Group PJSC)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

DIRECTORS' REPORT

The Board of Directors of Emaar Malls PJSC (the "Company") and its Subsidiaries (together the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2016.

Principal activities & business overview

The principal activities of the Group during the year ended 31 December 2016 were the development and management of shopping malls and retail centers.

The Group is the leading owner and operator of shopping malls in Dubai, UAE. The Group's portfolio of properties comprises four shopping malls and 32 community centers and other retail properties, which together had a total Gross Leasable Area (GLA) of approximately 5.9 million sq. ft. as at 31 December 2016 and an average GLA occupancy rate of 96% during the year 2016.

The Group manages and operates business principally through four segments: Super-Regional Malls, Regional Malls, Community Integrated Retail and Specialty Retail.

Financial results

The Group has recorded a net profit attributable to the equity holders of the Company amounting to AED 1,874 million for the year ended 31 December 2016 (2015: AED 1,656 million).

In accordance with UAE Federal Commercial Company Law No. (2) of 2015 and Article number 57 of the Company's Article of Association, an appropriation of AED 187 million each is made to both legal reserve and statutory reserve from the distributable profit (note 16).

The Board of Directors of the Company has proposed a cash dividend of 10%, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

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

Total shareholders' fund as at 31 December 2016 amount to AED 16,019 million (2015: AED 15,444 million) prior to proposed dividend.

Outlook for 2017

Positive performance of Dubai economy in 2016 has demonstrated the resilience of Dubai. With acceleration of business activities to the run up for EXPO 2020, Dubai will continue to be the centre of trade and excellence. In today's digital age, Group will focus on leveraging advanced technologies, new innovations, strengthened further with digital strategies to ensure that its shopping malls stay ahead of the curve and redefine the retail sector, which reflects the Group's commitment in creating long term value for its stakeholders.

DIRECTORS' REPORT (continued)

Directors

H.E. Mohamed Ali Rashed Alabbar	(Chairman)
Mr. Ahmad Thani Rashed Al Matrooshi	(Director)
Mr. Abdullah Saeed Bin Majed Belyoahah	(Director)
Mr. Abdul Rahman Hareb Rashed Al Hareb	(Director)
Mr. Helal Saeed Al Marri	(Director)
Mr. Mohamed Hadi Ahmed Al Hussaini	(Director)
Mr. Mohamad Mourad	(Director)
Mr. Richard Akers	(Director)

Auditors

Ernst and Young were appointed as external auditors of the Group for the year ended 31 December 2016. Ernst and Young are eligible for reappointment for 2017 and have expressed their willingness to continue in office. The Board of Directors has recommended Ernst and Young as the auditors for 2017 for approval of shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

H.E. Mohamed Ali Rashed Alabbar
Chairman
Dubai, United Arab Emirates

27 February 2017

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES (Formerly known as Emaar Malls Group PJSC)

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

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Key audit matters (continued)

(i) Accounting for lease rental income

Lease rental income amounted to AED 3,228 million for the year ended 31 December 2016. Generally lease revenue is recognised net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis using a standard IT system implemented in late 2015. Also there are few lease arrangements where revenue recognision is not subject to straight line basis depending on the nature of the lease arrangements and performance of the lessee. There is an inherent risk around the accuracy of the revenue recorded given the complexity of the IT system and impact of the terms of lease agreements to the revenue recognition.

Within lease rental income, there are also specific arrangements related to (i) rent income computed by reference to lessee turnover and (ii) tenant incentives and guaranteed rent increases which warrant additional audit focus as they involve high level of management estimates and judgments and hence have an increased inherent risk of error due to the non-standard nature of such transactions.

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of international financial reporting standards.

We performed test of controls, assisted by our IT specialists, over revenue recognition with specific focus on whether lease income is recorded over the lease term on a straight line basis or other applicable basis as per the terms of the lease contract. We performed tests of details, on a sample basis, to review the lease contracts entered into with the customers to assess whether lease income recorded is as per the contract terms and also to identify any non-standard lease clauses and to assess the appropriateness of the rental income accounting. We assessed the completeness of lease rental income recorded during the year through matching the data used in the revenue recognition to the approved lease agreements with the customers. We also performed detailed substantive analytical procedures of lease rental income and the timing of its recognition.

Regarding rent income calculated from lessee turnover, we performed test of controls and matched the working to the reports received from lessees and where no reports were available we tested management estimates. For tenant incentives and guaranteed rent increases, we matched them the lease agreements as per the sample and tested management estimates.

Note 2.3 to the consolidated financial statements includes the accounting policy followed by the Group for recognising lease rental income and Note 4 discloses the different categories of revenue recognised.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES (Formerly known as Emaar Malls Group PJSC) - continued

Key audit matters (continued)

(ii) Valuation and impairment analysis of investment properties

The investment properties of AED 21,219 million represent a significant part of the total assets (84%) of the Group and are accounted for at cost while their fair value is disclosed in the notes to the consolidated financial statements amounting to AED 53,245 million as of 31 December 2016 (note 10). Valuation of investment properties is significant to our audit due to its magnitude and complexity and it is highly dependent on a range of estimates (amongst others, rental values, rental growth rates, vacancy rates, discount rates, operating costs, exit yield) made by an independent valuer engaged by the management. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area. The valuations were carried out by independent external appraiser engaged by the Group. We have also evaluated the objectivity, independence and expertise of the external appraisal firm.

We tested the accuracy of the input data provided by management to the external appraiser. We involved our internal real estate valuation specialists to review the valuation reports for selected properties and assess whether the valuation approach and methods used were in accordance with the established standards for valuation of properties and suitable for determining the fair value for the purposes of assessment of its impairment and disclosure of the fair value in the consolidated financial statements. Our internal specialists also assessed the assumptions and methods used by management and external appraiser in the valuation process.

Our work was focused on the largest properties in the portfolio and those where the assumptions used suggested a possible outlier versus market data. We also assessed the appropriateness of the disclosures relating to the assumptions and sensitivity of such assumptions.

Notes 10 and 2.4 to the consolidated financial statements includes the disclosure of valuation methods and key assumptions used in the valuation of the investment properties.

(iii) Transactions with Emaar Properties PJSC

The Company has undertaken a number of transactions with the Parent Company (Emaar Properties PJSC) in the normal course of business, mainly project costs for projects developed by the Parent Company, selling, general and administrative expense recharges, lake and fountain recharges and other operational recharges. There is a risk that such transactions could be used to manipulate results.

We evaluated the appropriateness of management's process for identifying and recording related party transactions. We read the agreement between the Company and the Parent Company to understand the contractual arrangement for such items. The agreement provides the basis of the allocation and respective percentages of allocation of each type of corporate services offered to the Company. Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business. We utilised data analysis tools to interrogate entire data sets for potential related party transactions. We tested the debit notes received from the Parent Company to understand the nature of the expenses and its relevance to the Company as per the agreement. We also assessed the appropriateness of the disclosures regarding related parties.

Note 13 to the consolidated financial statements discloses the related parties transactions and balances.

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Other information

Management is responsible for the other information. Other information consists of the Directors' Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR MALLS PJSC AND ITS SUBSIDIARIES (Formerly known as Emaar Malls Group PJSC) – continued

Report on other legal and regulatory requirements

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

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company;

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

v) investment in shares or stocks during the year ended 31 December 2016 are disclosed in note 8 to the consolidated financial statements;

vi) note 13 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and

viii) note 8 reflects the social contributions made during the year.

Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration Number 687

27 February 2017

Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 AED'000	2015 AED'000
		(US $1.00 = AED 3.673)	
REVENUE			
Rental income	4	**3,227,951**	2,992,692
Total revenue		**3,227,951**	2,992,692
EXPENSES			
Operating expenses	5	**(472,136)**	(461,422)
Sales and marketing expenses		**(65,412)**	(68,687)
Depreciation of property, plant and equipment	9	**(45,136)**	(68,749)
Depreciation of investment properties	10	**(327,028)**	(279,581)
General and administrative expenses		**(242,773)**	(212,392)
Write-off	6	**(3,873)**	(9,782)
Total expenses		**(1,156,358)**	(1,100,613)
OPERATING PROFIT FOR THE YEAR		**2,071,593**	1,892,079
Finance income		**79,000**	32,127
Finance costs	7	**(276,269)**	(267,905)
PROFIT FOR THE YEAR	8	**1,874,324**	1,656,301
ATTRIBUTABLE TO:			
Equity holders of the Company		**1,874,324**	1,656,301
Earnings per share (AED): basic and diluted	18	**0.14**	0.13

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	(US $1.00 = AED 3.673)	
	2016	*2015*
	AED'000	*AED'000*
PROFIT FOR THE YEAR	**1,874,324**	1,656,301
Other comprehensive income to be reclassified to the consolidated income statement in subsequent years:		
Other comprehensive income:		
Net movement on cash flow hedges	**8,075**	(13,314)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,882,399**	1,642,987
ATTRIBUTABLE TO:		
Equity holders of the Company	**1,882,399**	1,642,987

The attached notes 1 to 26 form part of these consolidated financial statements.

Emaar Malls PJSC and its subsidiaries
(Formerly known as Emaar Malls Group PJSC)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

		(US $1.00 = AED 3.673)	
	Notes	*2016 AED'000*	*2015 AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**203,555**	242,169
Investment properties	10	**21,218,905**	20,807,452
		21,422,460	21,049,621
Current assets			
Inventories		**12,467**	13,765
Trade and unbilled receivables	11	**187,172**	133,336
Advances, prepayments and other receivables	12	**179,376**	80,119
Due from related parties	13	**55,828**	114,250
Bank balances and cash	14	**3,550,594**	3,169,826
		3,985,437	3,511,296
TOTAL ASSETS		**25,407,897**	24,560,917
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**13,014,300**	13,014,300
Reserves	16	**874,358**	491,419
Retained earnings		**2,130,425**	1,937,945
TOTAL EQUITY		**16,019,083**	15,443,664
Non-current liabilities			
Employees' end of service benefits	19	**14,850**	16,753
Interest bearing loans and borrowings	20	**4,558,428**	4,551,135
Sukuk	21	**2,737,734**	2,735,867
Retentions payable after 12 months		**46,519**	23,541
		7,357,531	7,327,296
Current liabilities			
Due to related parties	13	**86,883**	96,039
Accounts payable and accruals	22	**654,883**	477,324
Advances and security deposits		**911,593**	789,357
Retentions payable within 12 months		**9,575**	13,655
Deferred income		**368,349**	413,582
		2,031,283	1,789,957
TOTAL LIABILITIES		**9,388,814**	9,117,253
TOTAL EQUITY AND LIABILITIES		**25,407,897**	24,560,917

The consolidated financial statements were authorised for issue on 27 February 2017 by ~~Board of Directors~~ and signed on their behalf by:

Chairman

Director

The attached notes 1 to 26 form part of these consolidated financial statements.

Emaar Malls PJSC and its subsidiaries
(Formerly known as Emaar Malls Group PJSC)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	*2016 AED'000*	*2015 AED'000*
		(US \$1.00 = AED 3.673)	
OPERATING ACTIVITIES			
Profit for the year		**1,874,324**	1,656,301
Adjustments for:			
Depreciation of property, plant and equipment	9	**45,136**	68,749
Depreciation of investment properties	10	**327,028**	279,581
Provision for doubtful debts		**14,194**	691
Provision for employees' end of service benefits	19	**3,149**	3,840
Finance costs		**276,269**	267,905
Loss/ (gain) on disposal of property, plant and equipment		**268**	(17)
Write-off		**3,873**	9,782
Finance income		**(79,000)**	(32,127)
		2,465,241	2,254,705
Working capital changes:			
Inventories		**1,298**	650
Trade and unbilled receivables		**(68,030)**	(27,319)
Due from related parties		**58,422**	100,750
Advances, prepayments and other receivables		**(97,600)**	3,112
Due to related parties		**(10,373)**	(2,946)
Accounts payable and accruals		**184,639**	101,092
Advances and security deposits		**122,236**	267,487
Retentions payable		**18,898**	16,492
Deferred income		**(45,233)**	(47,220)
Net cash flows from operations		**2,629,498**	2,666,803
Employees' end of service benefits paid	19	**(3,835)**	(1,231)
Net cash flows from operating activities		**2,625,663**	2,665,572
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	9	**(17,700)**	(28,530)
Amounts incurred on investment properties	10	**(731,538)**	(593,809)
Interest received		**77,343**	21,221
Proceeds from disposal of property, plant and equipment		**93**	41
Deposits under lien or maturing after three months		**(382,381)**	(1,827,353)
Net cash flows used in investing activities		**(1,054,183)**	(2,428,430)
FINANCING ACTIVITIES			
Dividends paid	17	**(1,301,430)**	-
Finance cost paid		**(266,113)**	(258,627)
Bonus paid to Board of Directors		**(5,550)**	-
Net cash flows used in financing activities		**(1,573,093)**	(258,627)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,613)**	(21,485)
Cash and cash equivalents at 1 January		**26,777**	48,262
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**25,164**	26,777

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

(US $1.00 = AED 3.673)

	Share capital AED '000	*Reserves AED '000*	*Retained earnings AED '000*	*Total AED '000*
As at 1 January 2015	13,014,300	132,250	654,127	13,800,677
Profit for the year	-	-	1,656,301	1,656,301
Other comprehensive income for the year	-	(13,314)	-	(13,314)
Total comprehensive income for the year	-	(13,314)	1,656,301	1,642,987
Transferred to reserves (note 16)	-	372,483	(372,483)	-
As at 31 December 2015	13,014,300	491,419	1,937,945	15,443,664
Profit for the year	-	-	1,874,324	1,874,324
Other comprehensive income for the year	-	8,075	-	8,075
Total comprehensive income for the year	-	8,075	1,874,324	1,882,399
Dividends paid (note 17)	-	-	(1,301,430)	(1,301,430)
Directors bonus (note 13c)	-	-	(5,550)	(5,550)
Transferred to reserves (note 16)	-	374,864	(374,864)	-
As at 31 December 2016	**13,014,300**	**874,358**	**2,130,425**	**16,019,083**

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Emaar Malls Public Joint Stock Company (the "Company") and its subsidiaries (together the "Group") was established as a public joint stock company by Ministerial Decree number 922 of the year 2014 dated 30 September 2014.

The Company is a subsidiary of Emaar Properties PJSC (the "Parent Company"); a Company incorporated in the United Arab Emirates and listed on the Dubai Financial Market. During the year ended 31 December 2014, the Parent Company has converted the legal status of the Company from limited liability company to public joint stock company and sold 15.37% of their shareholding in the Company through an Initial Public Offering ("IPO"). The Company is listed on the Dubai Financial Market and its shares were traded with effect from 2 October 2014.

The principal activities of the Group are development and management of shopping malls and retail centers. The address of the registered office of the Group is P.O. Box 191741, Dubai, United Arab Emirates.

During the Annual General Meeting of the Company held on 19 April 2016, the shareholders have approved the change of the name of the Company from Emaar Malls Group PJSC to Emaar Malls PJSC.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of United Arab Emirates laws. The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated.

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December 2016. 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

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 statement of comprehensive income 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 profit and loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The details of the Company's subsidiaries as at 31 December 2016 and 31 December 2015 are as follows:

Name of the subsidiary	*Country of incorporation*	*Principal activity*	*Beneficial Ownership*	
			2016	*2015*
The Dubai Mall LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	99%	99%
Emaar Dubai Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	99%	99%
Emaar International Malls LLC	UAE	Self owned property leasing, buying and selling of real estate and management services	99%	99%

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

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations issued by IASB and effective for annual periods beginning on or after 1 January 2016:

New and amended standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. Other than IFRS 9 '*Financial instruments*' and IFRS 15 '*Revenue from Contracts with Customers*', the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

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 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it 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. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments 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 have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2011-2014 Cycle
These improvements are effective from 1 July 2015 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Annual Improvements 2011-2014 Cycle (continued)

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not impact the accounting policy of the Group.

IFRS 9 Financial Instruments
In July 2015, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group has early adopted IFRS 9 along with previous versions of IFRS 9. The adoption of IFRS 9 has an effect on the disclosures of the Group's financial assets and financial liabilities and has no impact on the classification and measurement.

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and statement of other comprehensive income. These amendments do not have any impact on the Group.

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

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

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 14 Regulatory Deferral Accounts
IFRS 14 an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and statement of other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard does not apply.

Standards issued but not yet effective

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative - Amendments to IAS 7
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted and is not expected to have any impact on the Group consolidated financial statements.

IFRS 16 Leases
IFRS 16 specifies how an entity will recognise, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of this standard on its consolidated financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
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 since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to credit risks.

Revenue is recognised in the consolidated income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, regardless of when the payment is being made. The specific criteria described below must also be met before revenue is recognised:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income from lease of investment property
Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Revenue recognition for turnover rent
Income from turnover rent is recognised based on the 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.

Income from late opening penalties
Income from late opening penalties is recognised on receipt basis.

Interest income
Interest income is recognised as the interest accrues using the effective interest rate 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.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Property, plant and equipment
Property, plant and equipment other than capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. Capital work-in-progress is not depreciated, and is stated at cost less any impairment value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Leasehold improvements	2 - 15 years
Computers and office equipment	3 - 20 years
Furniture and fixtures	2 - 10 years
Motor vehicles	3 - 5 years

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
No depreciation is charged on land and capital work-in-progress. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. 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. Investment properties under construction (included within capital work in progress) are measured at cost less any impairment in value. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Plant and machinery	3 - 10 years
Furniture, fixtures and others	2 - 15 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. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the current carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated income statement. The recoverable amount is the higher of investment property's fair value less costs of disposal and the value in use. Fair value less costs of disposal is price that would be received to sell an asset in an orderly transaction between market participants at the measurement date 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.

Inventories
Inventories mainly represent spares and consumables. Inventories are stated at the lower of cost and net realisable value with allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average cost basis. Net realisable value is based on estimated selling price in the ordinary course of business, less any further costs expected to be incurred on disposal.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts previously recognised in consolidated other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. 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.

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.

Initial recognition and measurement
The fair value of short term deposits with credit institutions approximates 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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'.

Cash and cash equivalents
For the purpose of the consolidated 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 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 a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Services rendered but not billed at the reporting date are accrued as per the terms of the lease agreements as unbilled receivables.

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

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

When the Group has transferred its 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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 consolidated income statement. Interest income on such financial assets continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated income statement. Financial assets 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 other income in the consolidated income statement.

Financial liabilities and equity instruments issued by the Group
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, sukuk, financial guarantee contracts and derivative financial instruments.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. The Group determines the classification of its financial liabilities at the initial recognition.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group (continued)
Sukuk
Sukuk is stated at amortised cost using the effective interest 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.

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.

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

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

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

Cash dividend and non-cash distribution to equity holders of the Company
The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to consolidated statement of comprehensive income. For such properties, the impairment is recognised in consolidated statement of comprehensive income up to the amount of any previous revaluation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

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

Foreign currencies
The Group's consolidated financial statements are presented in UAE Dirhams, which is also the currency in which significant transactions are carried out by the Group.

Transactions in foreign currencies are initially recorded by the Group at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the period of the lease. Lease incentives, typically rent free period, is recognised in the same manner as operating lease rentals.

Group as a lessor
The Group has entered into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognised in the consolidated income statement in accordance with the terms of the lease contracts over the lease term on a straight line basis. Contingent rents are recognised as revenue in the period in which they are earned.

Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of a specified level. The Group records such rent on an accrual basis, when specified levels have been achieved or when management determine that achieving the specified levels is probable during the year.

Fair value measurement
The Group measures financial instruments, such as, derivatives 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
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) 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.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have a significant impact on the amounts recognised in the consolidated financial statements.

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.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life on the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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

Impairment of trade receivables
The Group reviews its receivables to assess for impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

At 31 December 2016 gross trade receivables were AED 153,919 thousands (2015: AED 102,236 thousands) and provision for doubtful debts is AED 68,712 thousands (2015: AED 55,257 thousands). Any difference in the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management is of the opinion that the useful lives differ from previous estimates.

Allocation of cost of investment properties

The total costs incurred on the construction of investment properties have been allocated to various components such as structure, plant and machinery and furniture and fixtures based on certain percentages of the total costs as estimated by the cost consultants at the time of completion of the assets. Management is of the opinion that this method is appropriate pending determination of the final costs of the assets and settlement of contractors' claims. On conclusion of the final determination of costs on any outstanding projects, management would reassess the allocation and adjust the allocation prospectively, if necessary.

Valuation of investment properties

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

The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are disclosed in note 10.

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.

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 profit or loss and is measured consistently with the net profit or loss in the consolidated financial statements.

Business segments

For management purposes, the Group is organised into five segments, namely:

Super Regional Malls:

Super regional malls include shopping centres which individually hold gross leasable area of more than 800 thousands sq. ft.

Regional Malls:

Regional malls include shopping centres individually holds gross leasable area of more than 400 thousands sq. ft. but less than 800 thousands sq. ft.

Community Integrated Retail:

Community Retail includes shopping centres or retail outlets individually hold gross leasable area of less than 400 thousands sq. ft.

Specialty Retail:

Specialty retail includes shopping centres mainly offering specialty stores for fine and casual dining, commercial offices or retail outlets of manufacturers.

3 SEGMENT INFORMATION (continued)

Business segments (continued)
Others:
Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments* and head office balances.

The following tables include revenue, results and other segment information for the year ended 31 December 2016 and 31 December 2015. Assets and liabilities information regarding business segments are presented as at 31 December 2016 and 31 December 2015.

	Super Regional Malls AED'000	*Regional Malls AED'000*	*Community Integrated Retail AED'000*	*Specialty Retail AED'000*	*Others AED'000*	*Total AED'000*
Year ended 31 December 2016:						
Revenue						
Rental income	**2,639,856**	**182,139**	**253,810**	**152,146**	**-**	**3,227,951**
Results						
Profit/ (Loss) for the year	**1,906,591**	**96,613**	**150,195**	**89,626**	**(368,701)**	**1,874,324**
Other segment information						
Capital expenditure (Property, plant and equipment and investment properties)	**687,836**	**10,937**	**36,279**	**11,752**	**2,434**	**749,238**
Depreciation (Property, plant and equipment and investment properties)	**271,170**	**36,712**	**36,476**	**24,748**	**3,058**	**372,164**
Finance costs	**-**	**-**	**-**	**-**	**276,269**	**276,269**
Assets and liabilities						
Segment assets	**18,829,367**	**1,261,124**	**904,334**	**1,306,049**	**3,107,023**	**25,407,897**
Segment liabilities	**1,502,277**	**104,427**	**156,080**	**81,700**	**7,544,330**	**9,388,814**

3 SEGMENT INFORMATION (continued)

Business segments (continued)

Year ended 31 December 2015:	*Super Regional Malls AED'000*	*Regional Malls AED'000*	*Community Integrated Retail AED'000*	*Specialty Retail AED'000*	*Others AED'000*	*Total AED'000*
Revenue						
Rental income	2,447,291	167,262	224,067	154,072	-	2,992,692
Results						
Profit for the year	1,698,969	86,958	130,565	87,824	(348,015)	1,656,301
Other segment information						
Capital expenditure (Property, plant and equipment and investment properties)	446,915	10,065	150,286	9,811	5,262	622,339
Depreciation (Property, plant and equipment and investment properties)	254,520	33,389	35,731	23,501	1,189	348,330
Finance costs	-	-	-	-	267,905	267,905
Assets and liabilities						
Segment assets	18,341,712	1,268,000	788,209	1,279,064	2,883,932	24,560,917
Segment liabilities	1,311,045	109,004	190,150	92,368	7,414,686	9,117,253

4 RENTAL INCOME

	2016 AED'000	*2015 AED'000*
Base rent	**2,166,345**	1,974,537
Turnover rent	**212,422**	237,828
Service charges	**356,544**	329,712
Promotion and marketing contribution	**48,548**	43,543
Specialty leasing	**196,428**	206,184
Multimedia	**93,837**	95,827
Others	**153,827**	105,061
	3,227,951	2,992,692

5 OPERATING EXPENSES

	2016 *AED'000*	*2015* *AED'000*
Housekeeping and facility management	**191,185**	185,105
Direct staff costs	**94,353**	103,047
Utilities - net	**84,058**	86,494
Security	**38,058**	29,844
Others	**64,482**	56,932
	472,136	461,422

6 WRITE-OFF

During the year ended 31 December 2016 and 31 December 2015, the Group has partly or completely demolished certain Community Integrated Retail assets due to a planned redevelopment. Accordingly, the net book value of these assets were written-off from investment properties and property, plant and equipment.

7 FINANCE COSTS

	2016 *AED'000*	*2015* *AED'000*
Interest on loans and borrowings	**267,839**	259,470
Others	**8,430**	8,435
	276,269	267,905

8 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2016 *AED'000*	*2015* *AED'000*
Indirect staff costs	**31,789**	36,465
Operating leases	**1,919**	1,626

(a) The Group has not made any social contributions during the year ended 31 December 2016 and 31 December 2015.

(b) The Group has not made any investments in shares or stocks during the year ended 31 December 2016 and 31 December 2015.

9 PROPERTY, PLANT AND EQUIPMENT

2016	*Buildings AED'000*	*Leasehold improvements AED'000*	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2016	178,038	-	19,055	1,853	276,989	18,810	494,745
Additions	50	198	8,923	216	4,270	4,043	17,700
Transfer from capital work-in-progress	-	1,625	6,098	-	4,027	(11,750)	-
Transfer from/ (to) investment properties	210	-	2,749	-	(15,340)	(8,398)	(20,779)
Disposal	-	-	-	(73)	(1,342)	-	(1,415)
At 31 December 2016	**178,298**	**1,823**	**36,825**	**1,996**	**268,604**	**2,705**	**490,251**
Accumulated depreciation:							
At 1 January 2016	23,653	-	12,578	1,422	214,923	-	252,576
Depreciation charge for the year	8,075	301	8,371	265	28,124	-	45,136
Transfer to investment properties	-	-	-	-	(9,605)	-	(9,605)
Relating to disposal	-	-	-	(73)	(1,338)	-	(1,411)
At 31 December 2016	**31,728**	**301**	**20,949**	**1,614**	**232,104**	-	**286,696**
Net carrying amount:							
At 31 December 2016	**146,570**	**1,522**	**15,876**	**382**	**36,500**	**2,705**	**203,555**

9 PROPERTY, PLANT AND EQUIPMENT (continued)

2015	*Buildings AED'000*	*Leasehold improvements AED'000*	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2015	176,190	29,869	11,945	1,708	268,075	38,143	525,930
Additions	638	-	4,700	303	14,190	8,699	28,530
Transfer from capital work-in-progress	851	-	2,410	-	3,996	(7,257)	-
Transfer from/ (to) investment properties	359	(29,869)	-	-	47	(20,775)	(50,238)
Disposal	-	-	-	(158)	(9,319)	-	(9,477)
At 31 December 2015	178,038	-	19,055	1,853	276,989	18,810	494,745
Accumulated depreciation:							
At 1 January 2015	15,494	11,862	9,831	1,304	166,660	-	205,151
Depreciation charge for the year	8,159	-	2,747	276	57,567	-	68,749
Transfer to investment properties	-	(11,862)	-	-	-	-	(11,862)
Relating to disposal	-	-	-	(158)	(9,304)	-	(9,462)
At 31 December 2015	23,653	-	12,578	1,422	214,923	-	252,576
Net carrying amount:							
At 31 December 2015	154,385	-	6,477	431	62,066	18,810	242,169

10 INVESTMENT PROPERTIES

2016	*Land AED'000*	*Buildings AED'000*	*Plant and machinery AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost						
At 1 January 2016	13,045,926	8,240,747	440,088	411,720	719,971	22,858,452
Additions	-	46,164	-	74,413	610,961	731,538
Transfer from capital work-in-progress	-	25,162	-	38,170	(63,332)	-
Transfer from/ (to) property, plant and equipment	-	520	-	23,125	(2,866)	20,779
Disposal	-	(5,599)	-	(33,569)	-	(39,168)
At 31 December 2016	**13,045,926**	**8,306,994**	**440,088**	**513,859**	**1,264,734**	**23,571,601**
Accumulated depreciation:						
At 1 January 2016	-	1,422,653	313,178	315,169	-	2,051,000
Depreciation charge for the year	-	220,725	43,771	62,532	-	327,028
Transfer from property, plant and equipment	-	-	-	9,605	-	9,605
Relating to disposal	-	(1,368)	-	(33,569)	-	(34,937)
At 31 December 2016	-	**1,642,010**	**356,949**	**353,737**	-	**2,352,696**
Net carrying amount:						
At 31 December 2016	**13,045,926**	**6,664,984**	**83,139**	**160,122**	**1,264,734**	**21,218,905**

Capital work-in-progress mainly represents the cost incurred towards the extension of The Dubai Mall and redevelopment of Springs village.

10 INVESTMENT PROPERTIES (continued)

2015	*Land AED'000*	*Buildings AED'000*	*Plant and machinery AED'000*	*Furniture, fixtures and others AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost						
At 1 January 2015	13,014,000	8,130,131	440,088	293,392	360,813	22,238,424
Additions	31,926	61,716	-	79,406	420,761	593,809
Transfer from capital work-in-progress	-	49,261	-	17,520	(66,781)	-
Transfer from/ (to) property, plant and equipment	-	12,580	-	32,480	5,178	50,238
Disposal	-	(12,941)	-	(11,078)	-	(24,019)
At 31 December 2015	13,045,926	8,240,747	440,088	411,720	719,971	22,858,452
Accumulated depreciation:						
At 1 January 2015	-	1,212,837	269,407	291,541	-	1,773,785
Depreciation charge for the year	-	212,981	43,771	22,829	-	279,581
Transfer from property, plant and equipment	-	-	-	11,862	-	11,862
Relating to disposal	-	(3,165)	-	(11,063)	-	(14,228)
At 31 December 2015	-	1,422,653	313,178	315,169	-	2,051,000
Net carrying amount:						
At 31 December 2015	13,045,926	6,818,094	126,910	96,551	719,971	20,807,452

10 INVESTMENT PROPERTIES (continued)

At 31 December 2016, the fair value of investment properties is AED 53,245,071 thousands (2015: AED 49,282,920 thousands) compared with a carrying value of AED 21,218,905 thousands (2015: AED 20,807,452 thousands).

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

The Group has no restriction on the realisability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value of the freehold interest in Group's investment properties at 31 December 2016 was determined by management based on valuations performed by independent valuer. The valuation was performed in accordance with the RICS Valuation – Professional Standards, adopting the IFRS 13 basis of Fair Value and using established valuation techniques. The value of the investment properties has been determined through analysis of the income cash flow achievable for the buildings, assuming they would be sold subject to any existing leases and takes into account the projected annual expenditure. Both the contracted rent and estimated rental values have been considered in the valuation with allowances for void periods, running costs, vacancy rates and other costs. Based on the type and location of the property, the value of each of the properties has been determined by capitalising the estimated net income at an equivalent yield in the range of 8.99% to 10.44% (2015: 9% to 10%) (income capitalisation method); or assuming rental growth rates of 3.07% (2015: 3.15%), discount rates of 9.25% to 11.89% (2015: 9.50% to 10.75%) and exit cap rates of 5.75% to 8.50% (2015: 6.0% to 8.5%) (discounted cash flow method). Where there are outstanding construction costs to complete the property these have been reflected in the valuation (residual method).

Fair value hierarchy

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

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
31 December 2016	**53,245,071**	-	-	**53,245,071**
31 December 2015	49,282,920	-	-	49,282,920

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

11 TRADE AND UNBILLED RECEIVABLES

	2016 AED'000	*2015 AED'000*
Trade receivables - net	**85,207**	46,979
Unbilled receivables	**101,965**	86,357
	187,172	133,336

Trade receivables include amounts due from related parties amounting to AED 2,588 thousands (2015: AED 6,755 thousands) [note 13(b)].

The above trade receivables are net of allowance for doubtful debts of AED 68,712 thousands (2015: AED 55,257 thousands) representing management's best estimate of doubtful trade receivables which are past due and impaired.

11 TRADE AND UNBILLED RECEIVABLES (continued)

Movement in the allowance for doubtful debts is as follows:

	2016 AED'000	*2015 AED'000*
At 1 January	**55,257**	56,730
Charge for the year	**14,194**	691
Written off during the year	**(739)**	(2,164)
At 31 December	**68,712**	55,257

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

			Past due but not impaired			
	Total AED'000	*Neither past due nor impaired AED'000*	*Upto 30 days AED'000*	*31-60 days AED'000*	*61-90 days AED'000*	*>90 days AED'000*
2016	**187,172**	**101,965**	**30,063**	**31,589**	**6,016**	**17,539**
2015	133,336	86,357	28,711	10,273	2,368	5,627

Unimpaired receivables are fully recoverable on the basis of past experience.

12 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2016 AED'000	*2015 AED'000*
Advances to contractors and suppliers	**158,869**	60,704
Prepayments	**5,055**	3,854
Interest receivable	**14,765**	13,108
Other receivables	**687**	2,453
	179,376	80,119

13 RELATED PARTY DISCLOSURES

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

	2016 *AED'000*	*2015* *AED'000*
Rental income		
Parent Company	**14,533**	14,848
Affiliated entities	**66,346**	62,983
Entities owned or controlled by Directors and other related parties	**124,547**	119,879
	205,426	197,710
Operating expenses – net		
Parent Company	**42,736**	43,157
Affiliated entities	**85,078**	99,148
Entities owned or controlled by Directors and other related parties	**(5,577)**	(3,134)
Sales and marketing expenses		
Parent Company	**2,974**	2,590
Affiliated entities	**610**	3,866
Entities owned or controlled by Directors and other related parties	**449**	1,374
General and administrative expenses		
Parent Company	**80,231**	99,625
Affiliated entities	**4,446**	1,464
Entities owned or controlled by Directors and other related parties	**618**	656
Finance income		
Entities owned or controlled by Directors and other related parties	**21,633**	4,706
Finance costs		
Entities owned or controlled by Directors and other related parties	**10,008**	9,262
Capital expenditures		
Parent Company	**39,153**	122,315
Affiliated entities	**22,753**	15,680

13 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows:

31 December 2016	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Trade and unbilled receivables AED '000*	*Interest bearing loans and borrowings AED '000*	*Due to related parties AED '000*	*Deferred income AED '000*	*Trade payables AED '000*
Non-current							
Entities owned or controlled by Directors and other related parties	-	-	-	214,258	-	-	-
	-	-	-	214,258	-	-	-
Current							
Parent Company	-	-	-	-	79,998	2,614	-
Affiliated entities	-	55,828	2,588	-	6,885	16,214	-
Entities owned or controlled by Directors and other related parties	1,107,415	-	-	-	-	17,669	376
	1,107,415	55,828	2,588	-	86,883	36,497	376

Outstanding balances at year end are secured and interest-bearing. For the years ended 31 December 2016 and 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

13 RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties included in the consolidated statement of financial position are as follows: (continued)

31 December 2015	*Bank balances and cash AED '000*	*Due from related parties AED '000*	*Trade and unbilled receivables AED '000*	*Interest bearing loans and borrowings AED '000*	*Due to related parties AED '000*	*Deferred income AED '000*	*Trade payables AED '000*
Non-current							
Entities owned or controlled by Directors and other related parties	-	-	-	214,258	-	-	-
	-	-	-	214,258	-	-	-
Current							
Parent Company	-	-	-	-	86,397	23	-
Affiliated entities	-	114,250	-	-	9,642	9,617	-
Entities owned or controlled by Directors and other related parties	819,567	-	6,755	-	-	23,095	212
	819,567	114,250	6,755	-	96,039	32,735	212

13 RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

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

	2016 *AED'000*	*2015* *AED'000*
Short term benefits	**19,036**	28,098
End of service benefits	**1,012**	1,615

As at 31 December 2016, the number of key management personnel was 15 (2015: 18).

During the year, the Company has paid bonus to the members of the Board of Directors amounting to AED 650 thousands for each board member (including the Vice Chairman) and a bonus amounting to AED 1 million to the Chairman of the Board for the year 2015 as approved by the shareholders at the Annual General Meeting of the Company held on 19 April 2016.

14 BANK BALANCES AND CASH

	2016 *AED'000*	*2015* *AED'000*
Cash in hand	**171**	189
Bank balances:		
Current and call accounts	**24,993**	26,588
Cash and cash equivalents	**25,164**	26,777
Deposits under lien (note 20)	**31,897**	27,208
Deposits maturing after three months	**3,493,533**	3,115,841
Balance at 31 December	**3,550,594**	3,169,826

Included in the bank balances and cash is an amount of AED 1,107,415 thousands (2015: AED 819,567 thousand) as balance held with related party [note 13(b)].

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and six 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 2.32% and 2.80% per annum (2015: 1.4% and 3.05% per annum).

15 SHARE CAPITAL

	2016 *AED'000*	*2015* *AED'000*
Authorised capital – 13,014,300,000 shares of AED 1 each (2015: 13,014,300,000 shares of AED 1 each)	**13,014,300**	13,014,300
Issued and fully paid – 13,014,300,000 shares of AED 1 each (2015: 13,014,300,000 shares of AED 1 each)	**13,014,300**	13,014,300

16 RESERVES

Movement in reserves is as follows:

	Statutory reserve AED'000	*Legal reserve AED'000*	*Hedging reserve AED'000*	*Total AED'000*
As at 1 January 2015	135,209	-	(2,959)	132,250
Other comprehensive income for the year	-	-	(13,314)	(13,314)
Total comprehensive income for the year	-	-	(13,314)	(13,314)
Transferred to statutory reserve	165,630	-	-	165,630
Transferred to legal reserve	-	206,853	-	206,853
As at 31 December 2015	300,839	206,853	(16,273)	491,419
Other comprehensive income for the year	-	-	8,075	8,075
Total comprehensive income for the year	-	-	8,075	8,075
Transferred to statutory reserve	187,432	-	-	187,432
Transferred to legal reserve	-	187,432	-	187,432
As at 31 December 2016	**488,271**	**394,285**	**(8,198)**	**874,358**

As required by the UAE Federal Commercial Companies Law No. (2) of 2015 and the Article number 57 of the Company's Article of Association, 10% of the net profit for the year shall be transferred to legal reserve until it reaches 50% of the share capital. Further, 10% of the net profit for the year shall be transferred to statutory reserve until it reaches 50% of the paid-up share capital. During the year, the Group has transferred AED 187,432 thousands to legal reserve from net profit for the year ended 31 December 2016. In addition, the Group has also transferred AED 187,432 thousands to statutory reserves from net profit for the year ended 31 December 2016. These reserves are not available for distribution except in the circumstances stipulated by the law.

17 DIVIDENDS

A cash dividend of AED 0.10 per share for 2016 is proposed by the Board of Directors of the Company subject to the approval of the shareholders in the forthcoming Annual General Meeting.

A cash dividend of AED 0.10 per share for the year 2015 was approved by the shareholders of the Company at the Annual General Meeting of the Company held of 19 April 2016 and was paid during the year.

18 EARNINGS PER SHARE

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

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

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

	2016 ***AED'000***	*2015* *AED'000*
Earnings:		
Profit attributable to the equity holders of the Company	**1,874,324**	1,656,301
Weighted average number of ordinary shares for basic & diluted earnings per share	**13,014,300,000**	13,014,300,000
Earnings per share (AED):		
- basic and diluted	**0.14**	0.13

19 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision for employees' end of service benefits is as follows:

	2016 ***AED'000***	*2015* *AED'000*
Balance as at 1 January	**16,753**	14,757
Provision during the year	**3,149**	3,840
Transferred to parent company/ related parties	**(1,217)**	(613)
Paid during the year	**(3,835)**	(1,231)
Balance as at 31 December	**14,850**	16,753

Provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law. An actuarial valuation of the employees' end of service benefits has not been performed as in management's opinion the net impact of discount rates and future increases in benefits are not likely to be material. The benefits are un-funded.

20 INTEREST BEARING LOANS AND BORROWINGS

	2016 AED'000	*2015 AED'000*
Interest bearing loans and borrowings	**4,591,250**	4,591,250
Less: unamortised portion of loan arrangement fee	**(32,822)**	(40,115)
Net interest bearing loans and borrowings	**4,558,428**	4,551,135

Net interest bearing loans and borrowings are repayable as follows:

Within one year (shown under current liabilities)	-	-
After one year (shown under non-current liabilities)	**4,558,428**	4,551,135
	4,558,428	4,551,135

Interest bearing loans and borrowings represent Syndicated Murhabha Islamic finance facility for USD 1.25 billion (AED 4,591,250 thousands) availed from the commercial banks of UAE. The new facility is unsecured and carries interest rate at 3 months LIBOR + 1.75% pa and this facility will be repaid in a single instalment in 2021. The bank has a lien on certain cash collateral amounting to AED 31,897 thousands (2015: AED 27,208 thousands) against interest payable (note 14).

As at 31 December 2016, part of interest bearing loans and borrowings amounting to USD 58,333 thousands (AED 214,258 thousands) (2015: AED 214,258 thousands) is borrowed from a related party [note13 (b)].

21 SUKUK

EMG Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has issued trust certificates (the "Sukuk") amounting to USD 750,000 thousands (AED 2,754,750 thousands) on 18 June 2014. The Sukuk is listed on NASDAQ Dubai and is due for repayment in 2024. The Sukuk carries a profit distribution rate of 4.564% per annum to be paid semi-annually. The carrying value of the Sukuk is as follows:

	2016 AED'000	*2015 AED'000*
Proceeds from the issuance of the Sukuk	**2,754,750**	2,754,750
Less: Sukuk issuance cost	**(21,587)**	(21,587)
Sukuk liability on initial recognition	**2,733,163**	2,733,163
Profit accrued up to year end	**4,571**	2,704
Sukuk liability as at year end	**2,737,734**	2,735,867

22 ACCOUNTS PAYABLE AND ACCRUALS

	2016 *AED'000*	*2015* *AED'000*
Trade payables	**40,387**	41,476
Accrued expenses	**591,616**	404,606
Interest payable	**8,483**	7,488
Other payables	**14,397**	23,754
	654,883	477,324

Included in the trade payables is an amount of AED 376 thousands (2015: AED 212 thousands) due to related parties [note 13(b)].

23 COMMITMENTS AND CONTINGENCIES

Commitments
At 31 December 2016, the Group had commitments of AED 1,048,330 thousands (2015: AED 1,342,534 thousands) which includes project commitments of AED 889,884 thousands (2015: AED 1,200,821 thousands). This represents the value of contracts issued as at 31 December net of invoices received and accruals made as at that date.

Operating lease commitments - Group as lessor
The Group leases out its property under operating leases as a lessor. The future minimum lease payments receivable (base rent) under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	2016 *AED'000*	*2015* *AED'000*
Within one year	**2,554,497**	1,983,193
After one year but not more than five years	**4,702,774**	3,049,572
More than five years	**688,055**	247,889
	7,945,326	5,280,654

In addition to the base rent, the Group also charges annual service charges to its tenants. The total amount of service charges for the year ended 31 December 2016 was AED 356,544 thousands (2015: AED 329,712 thousands).

Operating lease commitments - Group as lessee
The Group has entered into agreement with related party to lease its office space. Future minimum rental payable under non-cancellable operating lease is as follows:

	2016 *AED'000*	*2015* *AED'000*
Within one year	**1,400**	1,761
After one year but not more than five years	**519**	1,918
More than five years	**-**	-
	1,919	3,679

Legal claims
As at 31 December 2016, legal proceedings are in progress against certain tenants to recover outstanding rents amounting to AED 9,474 thousands (2015: AED 26,792 thousands). Based on the advice of legal advisors, outcome of these claims will have no adverse impact on the consolidated financial statements of the Group.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

The Group's principal financial liabilities, other than derivative, comprise loans and borrowings, sukuk, retentions payable and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as bank balances and cash, trade and unbilled receivables, due from related parties and advances, prepayments and other receivables, which arises directly from its operations.

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

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on the following:

	2016 *AED'000*	*2015* *AED'000*
Bank balances	**3,550,423**	3,169,637
Trade and unbilled receivables	**187,172**	133,336
Due from related parties	**55,828**	114,250
Interest receivable	**14,765**	13,108
Other receivables	**687**	2,453
	3,808,875	3,432,784

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Credit risk from trade and unbilled receivables is managed by setting credit limits for individual tenants, monitoring outstanding receivables and obtaining security deposits under the lease arrangements. The Group establishes an allowance for impairment at each reporting date that represents its estimate of incurred losses in respect of trade and unbilled receivables.

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk.

Market risk
Market risk is the risk that changes in market prices, such as interest rate risk and currency risk, will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by interest rate risk include interest bearing loans and borrowings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (interest bearing loans and borrowings).

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant and net of hedged instruments. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at reporting date.

There is no impact on the Group's equity other than the profit impact stated below.

	Changes in basis points	*Sensitivity of interest income/expense AED'000*
2016		
Bank deposits	**±100**	**±34,935**
Unhedged portion of interest bearing loans and borrowings	**±100**	**±19,283**
2015		
Bank deposits	±100	±31,158
Unhedged portion of interest bearing loans and borrowings	±100	±19,283

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2016

	Less than 3 months AED'000	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***More than 5 years AED'000***	***Total AED'000***
Due to related parties	**65,162**	**21,721**	-	-	**86,883**
Interest bearing loans and borrowings	**36,702**	**114,580**	**5,180,357**	-	**5,331,639**
Sukuk	-	**125,727**	**502,907**	**3,069,067**	**3,697,701**
Trade payables	**12,116**	**28,271**	-	-	**40,387**
Accrued expenses	**311,906**	**279,710**	-	-	**591,616**
Retentions payable	-	**9,575**	**46,519**	-	**56,094**
Other payables	**14,397**	-	-	-	**14,397**
Total	**440,283**	**579,584**	**5,729,783**	**3,069,067**	**9,818,717**

At 31 December 2015

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
Due to related parties	72,029	24,010	-	-	96,039
Interest bearing loans and borrowings	34,376	110,245	666,373	4,665,758	5,476,752
Sukuk	-	125,727	502,907	3,194,794	3,823,428
Trade payables	12,443	29,033	-	-	41,476
Accrued expenses	210,847	193,759	-	-	404,606
Retentions payable	-	13,655	23,541	-	37,196
Other payables	23,754	-	-	-	23,754
Total	353,449	496,429	1,192,821	7,860,552	9,903,251

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The Group monitors capital using gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, interest bearing loans and borrowings and sukuk, less bank balances and cash (excluding lien with banks). Equity includes equity attributable to the equity holders of the Group. At 31 December 2016, the Groups' gearing ratio is 19% (31 December 2015: 21%). The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivatives

Financial assets of the Group include bank balances and cash, trade and unbilled receivables, advances, other receivables and due from related parties. Financial liabilities of the Group include security deposits, interest bearing loans and borrowings, sukuk, trade payables, accrued expenses and due to related parties. Derivatives include interest rate swaps.

The fair values of the financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the financial instruments are not materially different from their carrying value unless stated otherwise.

26 HEDGING ACTIVITIES

Cash flow hedges
At 31 December 2016, the Group held certain interest rate swap contract 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 (AED 2,662,925 thousands) respectively (2015: AED 2,662,925 thousands).

	2016		*2015*	
	Assets AED'000	***Liabilities AED'000***	*Assets AED'000*	*Liabilities AED'000*
Interest rate swap contracts				
Fair value	-	**8,198**	-	16,273

The fair values of the interest rate swaps are estimated using quotes from external sources or from the counterparty to the instruments.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

26 HEDGING ACTIVITIES (continued)

Cash flow hedges (continued)

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

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
2016				
Interest rate swap contracts	**8,198**	-	**8,198**	-
2015				
Interest rate swap contracts	16,273	-	16,273	-

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets 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).

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.