DUBAI PARKS & RESORTS

Dubai Parks and Resorts PJSC and its Subsidiaries

Consolidated financial statements and independent auditor's report for the year ended 31 December 2015

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Dubai Parks and Resorts PJSC and its Subsidiaries

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DUBAI PARKS AND RESORTS PJSC AND ITS SUBSIDIARIES DIRECTORS' REPORT

It is with pleasure that the Board of Directors of Dubai Parks and Resorts PJSC presents its consolidated statement of financial position as at 31 December 2015.

Dubai Parks and Resorts' strategy is to create the world's next great leisure and entertainment destination that can support and benefit from Dubai's Tourism Vision for 2020, which seeks to increase Dubai's annual visitor numbers to 20 million and increase the economic contribution of the tourism sector to the UAE's GDP.

During 2015 we progressed rapidly towards opening Dubai Parks and Resorts to the public in October 2016, on time and on budget.

Construction Overview:

Building Dubai Parks and Resorts is a massive and ambitious undertaking – it is the first time in the world that three theme parks, a water park, and a hotel, as well as a retail and dining district will open simultaneously. The pace of construction during 2015 has seen the rapid development of the Dubai Parks and Resorts destination in Jebel Ali.

We are progressing well against our construction milestones with all of the design works now complete. Ride system production is 89% complete and overall facilities structure works is 88% complete. We reached a key milestone in October when the destination's first rollercoaster was installed at LEGOLAND® Dubai and, at the end of December, 16 complete rides were delivered to Dubai from various theme park ride vendors.

In terms of overall infrastructure, which is 70% complete, our substation was handed over to DEWA in December and the district cooling is expected to be finished in the first quarter of 2016. The contract for the multi-lane bridges and access roads to ensure ease of access to Dubai Parks and Resorts, was awarded by the RTA in June to the China State Construction Engineering Corporation. Construction is expected to be complete by August 2016.

Key Partnerships:

In March we announced our partnership with Lionsgate as the third IP partner to join motiongate™ Dubai. The agreement will provide visitors to motiongate™ Dubai with a unique experience in its Lionsgate zone, with three attractions inspired by the internationally-recognised The Hunger Games, Step Up Revolution and Step Up All In franchises.

We also announced our partnership with Mumbai-based Wizcraft International Entertainment in March, to bring a unique Broadway calibre Bollywood show to the Rajmahal Theatre at Bollywood Parks™ Dubai.

Our first revenue generating agreement was announced in April with UK-based Picsolve International to provide a full-range of digital, video and image capture solutions that will allow guests to enjoy a seamless photo record of their visit. The agreement is expected to generate AED 100 million in revenues over a five year period.

In May we announced our partnership with Dnata, the Dubai based international travel sales network, which is part of the Emirates Group, to become our preferred travel partner. This commercial agreement gives Dubai Parks and Resorts access to Dwnata's local, regional and international sales and distribution network to provide tickets and packages to potential consumers across the globe.

Sales and Marketing:

Our sales and marketing philosophy is to build on the efforts of Dubai's Department of Tourism and Commerce Marketing (DTCM). We participated in our first trade show in March, attending the Arabian Travel Market in Dubai. This was followed by our participation at the World Travel Market in London in November. Both events signalled the start of our push towards partnerships with global tour operators and ticket distributors in order to reach international consumers.

Recently published statistics from the DTCM indicate that despite the global financial unrest, international visitor numbers to Dubai continue to grow reaching 14.2 million in 2015, a 7.5% increase from 2014, led by a more than 20% increase of visitors from markets such as China and India. Therefore, our efforts in 2015 were concentrated on working with the DTCM on operator tours and sales trips to key Dubai source markets. We also took the decision to open representative offices in China and India in 2016, demonstrating our marketing efforts to these key markets.

DUBAI PARKS AND RESORTS PJSC AND ITS SUBSIDIARIES DIRECTORS' REPORT (continued)

People and Sustainability;

By February all of the senior management team was in place and a concentrated effort began to prepare our mass recruitment plan for 2016. Once open we expect to have over 4,200 employees.

We announced our Emiratisation programme in August to attract up to 1,000 Emirati nationals to Dubai Parks and Resorts, in line with the Dubai Plan 2021 and the 7-Year National Agenda. The campaign includes three programmes: Forsati, Sahim and Helmi, which aim to empower and grow a new generation of Emirati talent to the growing theme park industry.

Dubai Parks and Resorts is committed to protecting the environment, and the health and safety of our colleagues, visitors and vendors. We recognize that by integrating sound environmental, health, and safety management practices into all aspects of our business, we can be a premier provider of world class leisure and entertainment attractions, while conserving the environment for future generations. To this end, the corporate office has achieved three ISO certifications: ISO 14001: Environmental Management; OHSAS: Occupational Health and Safety Management and ISO 9001: Quality Management.

Financial Overview:

The financial statements reflect the continued deployment of funds into the construction of Dubai Parks and Resorts. Total assets at the end of 2015 stood at AED 8.6 billion primarily comprising AED 4.9 billion in property equipment and investment properties and AED 3.3 billion in cash and other financial assets. Advances to contractors and other receivables increased to AED 372 million. Other financial assets which primarily comprise of deposits placed with the banks have reduced to about AED 2.9 billion from AED 4.2 billion as at the end of last year which reflects the usage of funds for project construction. In 2015, we commenced the drawdown on the banking facility and as at 31 December 2015, we had drawn AED 1.5 billion.

Total loss for the year was AED 111 million compared to AED 21 million for the full year of 2014. This reflects our continued expenditure on the pre-opening aspects of our overall project. As at 31 December 2015, the Company had not commenced revenue generating activities. Consequently there is no operating revenue during the period.

Our leasing effort at Riverland™ Dubai has progressed better than anticipated, with 35 lease proposals signed in 2015, accounting for over 50% of the leasable space and 100% of our projected leasing revenue target for 2017.

Looking ahead:

Our primary focus, less than a year away from opening, is delivering a world class theme park resort on time and on budget. This involves completing construction, ride installation, testing and safety certifications to the highest standards, attracting a diversified and service-centred pool of workers and performers, handing over the parks and hotel to the operators and successfully marketing the destination to residents and global visitors alike.

We will continue to attend industry trade shows and work closely with the DTCM to promote Dubai as an international tourism destination to global tour operators. As we move closer to opening, we will unveil our consumer focused marketing campaign with a goal to commence ticket sales in the second quarter of 2016.

We look forward to welcoming guests to Dubai Parks and Resorts in 2016.

Abdulwahab Al Halabi
Vice Chairman

Raed Al Nuaimi
Chief Executive Officer

Fahad Kazim
Non-Executive Director

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dubai Parks and Resorts PJSC
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Dubai Parks and Resorts PJSC**, **Dubai, United Arab Emirates** (the "Company") **and its Subsidiaries** (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Cont'd....

Anis Sadek (521), Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem Dajani (726), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

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

Report on other legal and regulatory requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) the Group has not purchased or invested in any shares during the financial year ended 31 December 2015 other than the group entities as disclosed in note 1 to the consolidated financial statements;

vi) note 16 to the consolidated financial statements discloses material related party transactions, balances 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 Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) there were no social contributions made during the year.

Deloitte & Touche (M.E.)



Anis F. Sadek
Partner
Registration No. 521

10 February 2016

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Property and equipment	6	**4,652,195**	1,994,295
Investment properties	7	**283,344**	199,596
Advances to contractors and other receivables	8	**372,021**	370,399
Derivative financial instruments	9	**1,711**	-
Other financial assets	10	**2,855,593**	4,150,000
Cash and cash equivalents	11	**461,436**	163,573
Total assets		**8,626,300**	6,877,863
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**6,321,828**	6,321,828
Equity issue reserve	13	**3,736**	3,736
Cash flow hedging reserve	9	**1,711**	-
Accumulated losses		**(149,257)**	(38,326)
Total equity		**6,178,018**	6,287,238
Liabilities			
Bank facilities	14	**1,257,569**	-
Trade and other payables	15	**1,177,838**	574,617
Due to a related party	16	**12,875**	16,008
Total liabilities		**2,448,282**	590,625
Total equity and liabilities		**8,626,300**	6,877,863

Abdulwahab Al Halabi
Vice Chairman

Raed Al Nuaimi
Chief Executive Officer

Fahad Kazim
Non-Executive Director

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

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
General and administrative expenses	17	**(118,584)**	(21,830)
Marketing and selling expenses	18	**(23,320)**	(1,149)
Interest income		**46,222**	1,697
Amortization of borrowing cost		**(15,249)**	-
Loss for the year		**(110,931)**	(21,282)
Other comprehensive income			
Cash flow hedge - gain on fair value		**1,711**	-
Total comprehensive loss for the year		**(109,220)**	(21,282)
Loss per share:			
Basic and diluted loss per share (AED)	19	**(0.018)**	(0.003)

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

Consolidated statement of changes in equity for the year ended 31 December 2015

	Share capital AED'000	Equity issue reserve AED'000	Cash flow hedging reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2014	600	-	-	(17,044)	(16,444)
Share capital decrease	(600)	-	-	-	(600)
Issuance of share capital	6,321,828	-	-	-	6,321,828
Net initial public offering income (Note 13)	-	3,736	-	-	3,736
Total comprehensive loss for the year	-	-	-	(21,282)	(21,282)
Balance at 31 December 2014	6,321,828	3,736	-	(38,326)	6,287,238
Loss for the year	-	-	-	(110,931)	(110,931)
Other comprehensive income for the year	-	-	1,711	-	1,711
Total comprehensive loss for the year	-	-	1,711	(110,931)	(109,220)
Balance at 31 December 2015	**6,321,828**	**3,736**	**1,711**	**(149,257)**	**6,178,018**

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

Consolidated statement of cash flows for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Loss for the year	**(110,931)**	(21,282)
Adjustments for:		
Depreciation expense	**3,522**	429
Interest income	**(46,222)**	(1,697)
Amortization of borrowing cost	**15,249**	-
(Reversal)/provision for employees' end-of-service indemnity	**(453)**	2,440
Operating cash flows before changes in operating assets and liabilities	**(138,835)**	(20,110)
Increase in advances to contractors and other receivables	**(151,121)**	(200,318)
Increase in trade and other payables	**603,674**	531,358
Net cash generated by operating activities	**313,718**	310,930
Cash flows from investing activities		
Decrease/(increase) in other financial assets	**1,294,407**	(4,150,000)
Additions to property and equipment	**(2,646,460)**	(959,772)
Additions to investment properties	**(83,748)**	(17,172)
Interest received	**47,075**	222
Net cash used in investing activities	**(1,388,726)**	(5,126,722)
Cash flows from financing activities		
Proceeds from bank facilities	**1,461,258**	-
(Decrease)/increase in due to a related party	**(3,133)**	579,323
Borrowing costs paid	**(71,607)**	(148,609)
Finance costs paid	**(13,647)**	-
Proceeds from issuance of share capital	-	4,544,915
Initial public offering income	-	63,218
Incorporation expenses paid	-	(59,482)
Net cash generated by financing activities	**1,372,871**	4,979,365
Net increase in cash and cash equivalents	**297,863**	163,573
Cash and cash equivalents at the beginning of the year	**163,573**	-
Cash and cash equivalents at the end of the year (Note 11)	**461,436**	163,573
Non-cash transactions:		
Forgiven balances due to related parties through issuance of share capital	-	880,674
Land transferred and leased to the Group through issuance of share capital (Note 6 & 7)	-	896,238
Transfers of property and equipment from a related party (Note 6)	-	1,293
Restructuring of share capital	-	(600)

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

Notes to the consolidated financial statements for the year ended 31 December 2015

1. General information

Dubai Parks and Resorts PJSC (the "Company" or the "Parent Company") was originally formed as a limited liability company with commercial license number 673692 and was established on 11 July 2012. On 9 December 2014, approval from the Ministry of Economy was obtained and the Company was converted to a Public Joint Stock Company in accordance with U.A.E. Federal Law No. 8 of 1984, as replaced by U.A.E. Federal Law No. 2 of 2015. The Company is a subsidiary of Meraas Holding (LLC) (the "Ultimate Parent Company").

The registered address of the Company is P.O. Box 123311, Dubai, United Arab Emirates.

As at 31 December 2015, the licensed activities of the Parent Company and its subsidiaries (collectively the "Group") are investment in commercial enterprises and management of amusement parks, investment in and management of tourist enterprises and sport & recreational events tickets e-trading, marketing management, facilities management services and event management.

As at 31 December 2015, the Company has not commenced revenue generating activities and accordingly there is no operating revenue for the year.

The consolidated financial statements include the following subsidiaries:

Name of subsidiary	Place of incorporation	Date of incorporation	Percentage of ownership		Activity
			Legal	Beneficial	
Motiongate (LLC)	Dubai, U.A.E.	18 March 2013	99%	100%	Theme park development
Dubai Parks Destination Management (LLC)	Dubai, U.A.E.	25 August 2014	99%	100%	Theme park management
Bollywood Parks (LLC)	Dubai, U.A.E.	25 August 2014	99%	100%	Theme park development
Dubai Parks Hotel (LLC)	Dubai, U.A.E.	25 August 2014	99%	100%	Real estate development
River Park (LLC)	Dubai, U.A.E.	25 August 2014	99%	100%	Real estate development
LL Dubai Theme Park (LLC)	Dubai, U.A.E.	7 September 2014	99%	100%	Theme park development
Mgate Operations (LLC)*	Dubai, U.A.E.	8 April 2013	100%	100%	Facilities management
LL Dubai Operations (LLC)**	Dubai, U.A.E.	14 October 2014	100%	100%	Facilities management
BWP Operations (LLC)***	Dubai, U.A.E.	25 March 2015	100%	100%	Facilities management
SF Dubai (LLC)	Dubai, U.A.E.	21 May 2015	99%	100%	Theme park development

* *Subsidiary of Motiongate (LLC)*

** *Subsidiary of LL Dubai Theme Park (LLC)*

*** *Subsidiary of Bollywood Parks (LLC)*

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 – 2012 / 2011 - 13 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 / IFRS 1, IFRS 3, IFRS 13 and IAS 40.

- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

The Group has opted for early adoption of IFRS 15 Revenue from Contracts with Customers. In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The application of this IFRS does not have any impact on the amounts reported as the group has not commenced revenue generating activities.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative.	1 January 2016
• Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations.	1 January 2016
• Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities.	1 January 2016
• Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 19.	1 January 2016
• Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely
• IFRS 16 Leases	1 January 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Groups consolidated financial statements for the period beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 which may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies

Statement of compliance

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into force on 1 July 2015. The Company has twelve months from the effective date of the Companies Law to comply with its provisions (the "transitional provisions") and the Company has availed these transitional provisions.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are effective for financial year beginning on or after 1 January 2015.

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

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its Subsidiaries) up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Revenue recognition

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties comprise of properties held to earn rentals or for capital appreciation, or both, (including investment properties under construction for such purposes). Investment properties are measured initially at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses in accordance with the cost model of IAS 40 *Investment Properties*. No depreciation is charged on land and investment properties under construction.

Expenditure incurred to replace a component of an item of investment properties 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 investment properties. All other expenditure is recognised in statement of comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in statement of comprehensive income in the period in which the property is derecognised.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by the ending of owner-occupation for a transfer from owner occupied property or commencement of an operating lease to another party for a transfer from inventories. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation for a transfer to owner occupied property or commencement of development with a view to sale for a transfer to inventories. Such transfers are made at the carrying value of the properties at the date of transfer.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property and equipment

Property and equipment comprise of land and building, vehicles, IT and office equipment, furniture and fixture and capital work-in-progress.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to statement of comprehensive income when incurred.

Depreciation is charged so as to write-off the cost of property and equipment, other than capital work-in-progress, less their estimated residual value, on a straight-line basis over the expected useful lives of the assets, as follows:

	Years
Building	15
Furniture and fixture	3 - 4
Vehicles	3 - 4
IT and office equipment	3 - 4

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Property and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated property and equipment are retained in the consolidated financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Capital work-in-progress

Capital work-in-progress includes properties that are being constructed or developed for future use. Cost includes pre-development infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised during the period when activities that are necessary to make the assets ready for their intended use are in progress. These properties are classified as capital work-in-progress until construction or development is completed.

Direct costs from the start of the project up to completion of the project are capitalised. No depreciation is charged on capital work-in-progress.

Classification of properties

Management determines at the time of acquisition or construction of the property, whether the property should be classified as development property, investment property or property, plant and equipment. The Group classifies a property as development property when the intention is to develop the property for the purpose of future sale to third parties. The Group classifies a property as investment property when the intention is to hold the property for rental, capital appreciation or for undetermined use. The Group classifies a property as property, plant and equipment when the intention is to use the property for its operations.

Finance cost

Finance cost that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready.

Derivative financial instruments

The Group deals with derivatives, primarily interest-rate swaps and forward exchange contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated statement of comprehensive income immediately. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Hedge accounting

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 attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of comprehensive income within other gains/ (losses).

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

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income, unless the relevant asset is carried at a revalued amount in excess of cost, in which case the impairment loss is treated as a revaluation decrease.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Impairment of tangible assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of comprehensive income, unless the relevant asset is carried at a revalued amount in excess of cost, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currency transactions

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The consolidated financial statements are presented in Arab Emirates Dirhams which is the Group functional and presentational currency.

In preparing the consolidated financial statements, transactions in currencies other than the Group's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statement of comprehensive income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of comprehensive income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments (HTM), 'available-for-sale' (AFS) financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets of the Group are categorized under 'loans and receivables'.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables including cash and cash equivalent, other financial assets, and other receivables (excluding prepayments and advances) that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or where appropriate a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of comprehensive income.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities including trade and other payables, bank facilities and due to related parties are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

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 to the net carrying amount on initial recognition.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the profit of loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the Group's accounting policies

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

Accounting for borrowing cost

Management has considered IAS 39 *Financial Instruments: Recognition and Measurement* in accounting for borrowing costs for the Group's bank facilities. The partial draw down of the term loan occurred during the year and the related borrowing costs are amortized over the period of the term loan.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property and equipment and investment properties

The carrying values of the Group's property and equipment and investment properties are reviewed by the management to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Management judge the recoverable amount of an asset as the greater of its value in use and its fair value less cost to sell. To assess value in use, estimated future cash flows are discounted to their present value using an appropriate discount rate. The key assumptions and estimates used when calculating the net present value of future cash flows are: a) future cash flows; b) timing and quantum of future capital and maintenance expenditures; c) long term growth rates, and d) discount rates to reflect the risks involved. As at the reporting date, there is no indication of impairment.

Estimated useful lives of property and equipment and investment properties

The asset's residual values and useful lives are reviewed at the reporting date and adjusted if appropriate, taking into account technology developments. Uniform depreciation rates are established based on the straight-line method which may not represent the actual usage of the assets. As asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

5. Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. The Group currently determines and presents financial information as a single operating segment based on the information that is provided internally to corporate management for decision making.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Property and equipment

	Land AED'000	Building AED'000	Vehicles AED'000	IT and office equipment AED'000	Furniture and fixture AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
As at 1 January 2014	-	-	-	-	-	317,216	317,216
Additional cost incurred during the year	-	-	-	-	-	959,772	959,772
Contribution from the Ultimate Parent Company	716,443	-	-	-	-	-	716,443
Transfers from a related party (a)	-	-	321	972	-	-	1,293
As at 31 December 2014	716,443	-	321	972	-	1,276,988	1,994,724
Additional cost incurred during the year	-	7	5,011	3,590	741	2,649,635	2,658,984
Reclassification	-	14,050	-	745	5,234	(20,029)	-
Transfers from a related party (a)	-	-	-	2,438	-	-	2,438
As at 31 December 2015	**716,443**	**14,057**	**5,332**	**7,745**	**5,975**	**3,906,594**	**4,656,146**
Accumulated depreciation							
As at 1 January 2014	-	-	-	-	-	-	-
Charge for the year	-	-	113	316	-	-	429
As at 31 December 2014	-	-	113	316	-	-	429
Charge for the year	-	702	571	1,058	1,191	-	3,522
As at 31 December 2015	**-**	**702**	**684**	**1,374**	**1,191**	**-**	**3,951**
Carrying amount							
At 31 December 2015	**716,443**	**13,355**	**4,648**	**6,371**	**4,784**	**3,906,594**	**4,652,195**
At 31 December 2014	716,443	-	208	656	-	1,276,988	1,994,295

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Property and equipment (continued)

a) In 2015 and 2014, a related party transferred to the Group "vehicles" and "IT and office equipment" [note 16 (d)].

b) Finance cost and amortised borrowing costs capitalised during the year under capital work in progress amounted to AED 13.7 million and AED 1.3 million respectively (2014: Nil).

7. Investment properties

	Land AED'000	Capital work-in-progress AED'000	Total AED'000
Cost			
As at 1 January 2014	-	2,629	2,629
Additional cost incurred during the year	-	17,172	17,172
Contribution from the Ultimate Parent Company	179,795	-	179,795
As at 31 December 2014	179,795	19,801	199,596
Additions	-	83,748	83,748
As at 31 December 2015	**179,795**	**103,549**	**283,344**

The Group carries its investment properties at cost less accumulated depreciation and impairment losses under the cost model in accordance with IAS 40, 'Investment Property'. At each reporting date, the Group evaluate the fair values of its investment properties.

The fair value for disclosure purposes is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuation technique underlying management's estimation of fair value

'Discounted cash flow method' involves determination of the value of the investment property by calculating the net present value of expected future earnings.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the Group's portfolios of investment property are:

- Estimated rental value (per sqm per annum)
- Rent growth per annum.
- Historical and estimated long term occupancy rate
- Yields, discount rate and terminal growth rate

The discounted cash flow method has been applied for the valuation of the Group's investment property including those under construction. As at 31 December 2015, the fair values of investment property was equal to the carrying value of these assets

There were no changes to the valuation techniques during the year.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

8. Advances to contractors and other receivables

	2015 AED'000	2014 AED'000
Advances to contractors	**368,544**	220,208
Prepayments and other receivables	**2,855**	148,716
Interest receivable	**622**	1,475
	372,021	370,399

9. Derivative financial instruments

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amount by term maturity 1 - 5 AED'000
Interest rate swaps	1,711	-	1,053,539	1,053,539
	1,711	-	1,053,539	1,053,539

During the year, the Group entered into interest rate swaps ('IRS') for the loan draw down denominated in USD which was designated as a hedging instrument. As at 31 December 2014, no interest rate swaps were entered into by the Group. These IRS are categorised as level 3 as one or more of the significant inputs is not based on observable market data.

10. Other financial assets

Other financial assets include margin deposits amounting AED 56 million (2014: nil) held by banks under lien against credit facilities issued to the Group and fixed deposits amounting to AED 2.8 billion (2014: AED 4.2 billion) held by banks with maturity periods of more than three months from the date of placement. The fixed deposits earn interest rates ranging from 1% to 2% (2014: 1% to 2%) per annum.

11. Cash and cash equivalents

	2015 AED'000	2014 AED'000
Cash on hand	**125**	35
Bank balances:		
Call and current accounts	**461,311**	163,538
	461,436	163,573

Call accounts earn interest up to 1% (2014: 1%) per annum. The call deposits includes the restricted cash balance of AED 98 million (2014: Nil).

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

12. Share capital

Share capital comprises 6,321,827,708 authorised, issued and fully paid up shares of AED 1 per share. The Company is a subsidiary of the Ultimate Parent Company which owns 60% of the shares.

13. Equity issue reserve

	2014 AED'000
Initial public offering income collected amounting to AED 0.01 for each share	63,218
Less: Incorporation expenses incurred	(59,482)
	3,736

14. Bank facilities

	2015 AED'000	2014 AED'000
Term loan	**1,461,258**	-
Gross borrowing costs	**220,216**	-
Less: Cumulative amortisation *	**(16,527)**	-
Un-amortised borrowing cost	**203,689**	-
Carrying amount	**1,257,569**	-

* Amortised borrowing cost during the year included AED 1.3 million capitalised within capital work in progress.

	2015 AED'000	2014 AED'000
In the second year	**60,041**	-
In the third to fifth years inclusive	**1,401,217**	-
Amount due for settlement after 12 months	**1,461,258**	-

Term loan

a) As at 31 December 2015, the Group has arranged for bank facilities amounting to AED 4.2 billion (2014: AED 4.2 billion) in the form of term loans which were partially utilized during 2015 to the amount of AED 1.5 billion. The term loans are for the purposes of development of projects with the facility maturing in 2026. The term loans utilized during the year carries interest at LIBOR + 3.5% and EIBOR + 3.15% per annum (2014: Nil).

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

14. Bank facilities (continued)

b) As at 31 December 2015, unamortised borrowing cost relating to this bank facility amounted to AED 204 million (2014: AED 149 million which prior to draw down was classified as part of "Advances to contractors and other receivables").

c) The syndicated facility is secured by a range of mortgages over property owned by the Group, security over bank accounts, assignments of certain contracts, certain rights to receivables and intra-group loans and pledges over shares in the Guarantors.

Letters of credit

d) As at 31 December 2015, the Group has arranged for letters of credit amounting to AED 449 million (AED 368 million). The letters of credit are secured by the following as applicable:

- Pledge over Wakala deposit; and
- Assignment of existing cash flows from a project of a related party.

e) As at 31 December 2015, AED 127 million (2014: AED 97 million) letters of credit are outstanding.

f) The letters of credit are subject to certain covenants. As at the reporting date, the Group was in compliance with the required covenants.

15. Trade and other payables

	2015 **AED'000**	2014 AED'000
Trade payables	**129,208**	5,025
Accrued expenses (a)	**902,829**	536,237
Retentions payable (b)	**133,647**	30,915
Rental advance	**9,967**	-
Provision for employees end-of-service indemnity (c)	**1,987**	2,440
Other liabilities	**200**	-
	1,177,838	574,617

a) Included in accrued expenses are costs already incurred on capital work-in-progress amounting to AED 872 million (2014: AED 475 million) but have not yet been certified as at the reporting date.

b) Retentions payable represent amounts withheld in accordance with the terms of the contract when progress payments are made to the contractors. Retentions payable are settled based on contractual terms

c) Provision for employees' end-of-service indemnity is made in accordance with the UAE labour law, and is based on current remuneration and cumulative years of service at the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

16. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, and key management personnel.

At the reporting date, related party balances are as follows:

	2015 AED'000	2014 AED'000
Due to parent company	**12,875**	16,008

a) The management decides on the terms and conditions of the transactions and of services received from/rendered to related parties as well as on other charges which are equivalent to prevailing arm's length transactions.

b) Due to a related party amounting to AED 13 million (2014: AED 16 million) represents the amounts payable to the Ultimate Parent Company and its subsidiary and transactions during the year in respect of i) payments to contractors and suppliers, and ii) transfer of assets to the Group [Note 16(d)].

c) In 2014, the Ultimate Parent Company charged general and administrative expenses (Note 17).

d) In 2015 and 2014, a related party has transferred certain assets to the Group (Note 6).

e) The key management remuneration during the year was as follows:

	2015 AED	2014 AED
Key management personnel		
Short term benefits	**12,301**	1,566
Long term benefits	**575**	517
	12,876	2,083

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

17. General and administrative expenses

	2015 AED'000	2014 AED'000
Salaries and other employee benefits *	**88,733**	10,751
Professional and legal expenses	**9,888**	142
Depreciation expense	**3,522**	423
Recruitment expenses	**3,436**	-
Supplies and communication expenses	**2,878**	247
Travel expenses	**2,619**	-
Rent [Note 16(a)]	**2,534**	692
Recharged expenses from a related party [Note 16(c)]	**-**	8,672
Other	**4,974**	903
	118,584	21,830

* Pension contribution for U.A.E. citizens are made by the Group in accordance with Federal Law No. 7 of 1999.

18. Marketing and selling expenses

	2015 AED'000	2014 AED'000
Advertisement expenses	**10,376**	-
Exhibition expenses	**6,439**	-
Other	**6,505**	1,149
	23,320	1,149

19. Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2015	2014
Loss attributable to equity holders of the Company (in AED'000)	**(110,931)**	(21,282)
Number of shares in issue (in '000)	**6,321,828**	6,321,828
Basic loss per share (in AED)	**(0.018)**	(0.003)

Diluted earnings per share are calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2015, the Company did not have such dilutive ordinary shares.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20. Commitments and contingent liabilities

(a) Commitments

Contracted-for commitments for the acquisition of services related to development and construction of assets classified under property and equipment and investment properties accounts amounted to AED 3.2 billion as at 31 December 2015 (2014: AED 3.9 billion).

(b) Contingent liabilities

	2015 AED'000	2014 AED'000
Letters of credit	**126,857**	97,086

21. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the consolidated financial statements.

(b) Categories of financial instruments

	2015 AED'000	2014 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,317,651**	4,315,048
Derivative financial instrument- at fair value	**1,711**	-
	3,319,362	4,315,048
Financial liabilities		
At amortised cost	**2,436,328**	588,185

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities at year-end approximate their carrying amounts at the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

22. Financial risk management

The Group's financial risk management policies set out the Group's overall business strategies and risk management philosophy. The Group's overall financial risk management program seeks to minimize potential adverse effects to the financial performance of the Group. The management carries out overall financial risk management covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and investing excess cash.

The Group's activities in future periods will expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

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

(a) Interest rate risk management

The Group's exposure to interest rate risk relates to its bank facilities, bank call accounts and other financial assets. The bank call accounts and other financial assets carry a rate of interest up to 1% - 2% per annum.

The Group's exposure to interest rate risk relates primarily to its term loan. Term loan bear interest rate at LIBOR + 3.5% and EIBOR + 3.15% per annum for the USD and AED tranches respectively (2014: Nil) (Note 14).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 20% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 20% higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would decrease/increase by AED 0.2 million (2014: Nil) This is mainly attributable to the Group's exposure to interest rates on its variable rate term loan.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks registered in the U.A.E.

(c) Foreign currency risk management

At the reporting date, there were no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in United Arab Emirates Dirhams (AED) or United States Dollars (USD) to which the AED is fixed.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

22. Financial risk management (continued)

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the expected maturity and the earliest date on which the Group is expected to receive for financial assets and to pay for financial liabilities. The table includes principal cash flows only.

Liquidity risk tables

	Weighted average Interest rate %	Less than 1 year AED'000	2-5 years AED'000	Total AED'000
Financial assets				
2015				
Non-interest bearing financial assets	-	**125**	**-**	**125**
Fixed interest bearing financial assets	1.5	**3,317,526**	**-**	**3,317,526**
Derivative financial instrument	-	**-**	**1,711**	**1,711**
		3,317,651	**1,711**	**3,319,362**
2014				
Non-interest bearing financial assets	-	35	-	35
Fixed Interest bearing financial assets	1.5	4,315,013	-	4,315,013
		4,315,048	-	4,315,048
Financial liabilities				
2015				
Variable Interest bearing financial liabilities	3.75	**-**	**1,257,569**	**1,257,569**
Non-interest bearing financial liabilities	-	**1,178,759**	**-**	**1,178,759**
		1,178,759	**1,257,569**	**2,436,328**
2014				
Non-interest bearing financial liabilities	-	557,270	30,915	588,185

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

23. Capital management

The capital structure of the Group consists of cash and cash equivalents, equity attributable to equity holders of the Company and bank borrowings. The Group's objective when managing capital is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimise the capital structure to reduce the cost of capital.

To enable the Group to meet its objective, the Directors monitor capital through constant review of the Group's capital investment programme and through regular budgeting and planning processes.

24. Approval of the consolidated financial statements

The consolidated financial statements was approved by the Board of Directors and signed for issuance on 10 February 2016.