

SOROUH REAL ESTATE PJSC

**Reports and consolidated
financial statements
for the year ended
31 December 2009**

SOROUH REAL ESTATE PJSC

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for the year ended 31 December 2009**

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Board of Directors' report

On behalf of the Board of Directors, I am pleased to present the audited consolidated financial statements of Sorouh Real Estate PJSC (Sorouh) for the year ended 31 December 2009.

Financial results

Sorouh has earned profits of AED 495 million for the year ended 31 December 2009 compared to AED 1,784 million for the year ended 31 December 2008. Earnings per share for the year ended 31 December 2009 amount to AED 0.19 compared to AED 0.74 for the prior year. The Group's asset base decreased to AED 13.7 billion during this year from AED 16.9 billion for the prior year.

Release

The Directors propose to discharge the Chairman and Members of the Board of Directors and auditors from liabilities related to the performance of their duties for the year ended 31 December 2009.

Auditors

Deloitte and Touche (M.E.) were appointed as auditors for the Company for the year ended 31 December 2009.

Directors

The Board of Directors comprises:

| | |
|---|-------------------|
| Mr. Saeed Eid Al Ghafli | Chairman |
| Mr. Mohamed Khalaf Al Mazrouei | Vice Chairman |
| Mr. Abubaker Seddiq Al Khouri | Managing Director |
| Mr. Yousif Mohammed Al Nowais | Director |
| Mr. Mubarak Mattar Al Houmeiry | Director |
| Mr. Ali Bin Suleiman Al Falasi (Appointed on 28 April 2009) | Director |
| Mr. Suhail Mohamed Faraj Al Mazrouei (Appointed on 28 April 2009) | Director |
| Mr. Ahmed Khalifa Mohamed Al Mehairi (Appointed on 28 April 2009) | Director |
| Mr. Saeed Mubarak Al Hajiri (Resigned on 28 April 2009) | Director |
| Mr. Fardan Hasan Al Fardan (Resigned on 28 April 2009) | Director |
| Mr. Mohammed Ahmed Saeed Al Qasmi (Resigned on 28 April 2009) | Director |

On behalf of the Board of Directors



Saeed Eid Al Ghafli
Chairman
27 January 2010

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sorouh Real Estate PJSC
Abu Dhabi, UAE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sorouh Real Estate PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

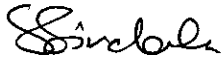
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respect the financial position of the Group as of 31 December 2009, and of 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

Also, in our opinion, proper books of account are maintained by the Company, and the financial information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its operations for the year.

Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
27 January 2010




**Consolidated statement of financial position
as at 31 December 2009**

| | Notes | 2009 AED'000 | 2008 AED'000 |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 172,476 | 87,716 |
| Investment properties | 6 | 983,130 | 357,636 |
| Investment properties under development | 7 | 257,223 | 572,769 |
| Intangible assets | 8 | 134,298 | 143,300 |
| Goodwill | 9 | 478,508 | 508,281 |
| Investment in associates and joint ventures | 10 | 301,086 | 610,664 |
| Available-for-sale financial assets | 11 | 138,502 | 148,887 |
| Prepaid leases – long term | | 19,724 | 20,158 |
| Trade and other receivables | 12 | 1,122,720 | 1,938,142 |
| Other financial assets | 14 | 15,907 | 28,577 |
| Total non-current assets | | 3,623,574 | 4,416,130 |
| Current assets | | | |
| Inventories | | 13,237 | 29,891 |
| Land held for resale | 15 | 638,505 | 757,193 |
| Development work-in-progress | 16 | 3,778,406 | 2,474,754 |
| Financial assets at fair value through profit or loss | 17 | 20,497 | 29,333 |
| Trade and other receivables | 12 | 2,859,883 | 2,393,052 |
| Cash and cash equivalents | 18 | 2,763,448 | 6,839,040 |
| Total current assets | | 10,073,976 | 12,523,263 |
| Total assets | | 13,697,550 | 16,939,393 |

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

**Consolidated statement of financial position (continued)
as at 31 December 2009**

| | Notes | 2009 AED'000 | 2008 AED'000 |
|--|-------|-------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 19 | 2,500,000 | 2,500,000 |
| Share issuance costs, net | | (5,292) | (5,292) |
| Statutory reserve | 20 | 457,387 | 409,108 |
| Hedging reserve | | (14,093) | (1,423) |
| Revaluation reserve | | (12,659) | (37,112) |
| Translation reserve | | (1,652) | (1,518) |
| Retained earnings | | 3,102,930 | 3,085,903 |
| Equity attributable to Owners of the parent | | 6,026,621 | 5,949,666 |
| Non-controlling interest | | 97,968 | 8,658 |
| Total equity | | 6,124,589 | 5,958,324 |
| Non-current liabilities | | | |
| Non-convertible Sukuk | 21 | 970,078 | 1,874,293 |
| Provision for end of service benefits | 22 | 25,880 | 19,938 |
| Bank borrowings – long term | 23 | 112,828 | 114,950 |
| Other long term payables | | 37,058 | 128,192 |
| Total non-current liabilities | | 1,145,844 | 2,137,373 |
| Current liabilities | | | |
| Non-convertible Sukuk | 21 | 970,565 | 1,735,626 |
| Trade and other payables | 24 | 5,297,568 | 6,727,418 |
| Notes payable – short term | 25 | 139,609 | 275,461 |
| Bank borrowings – short term | 23 | 19,375 | 105,191 |
| Total current liabilities | | 6,427,117 | 8,843,696 |
| Total liabilities | | 7,572,961 | 10,981,069 |
| Total equity and liabilities | | 13,697,550 | 16,939,393 |


Saeed Eid Al Ghaffli
Chairman


Abubaker Seddiq Al Khouri
Managing Director


Richard James Amos
Chief Finance Officer

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

**Consolidated statement of income
for the year ended 31 December 2009**

| | Notes | 2009 AED'000 | 2008 AED'000 |
|--|-----------|------------------|-----------------|
| Revenue | 26 | 3,102,708 | 3,723,428 |
| Cost of revenue | 27 | (2,179,703) | (1,426,924) |
| | | <hr/> | <hr/> |
| Gross operating profit | | 923,005 | 2,296,504 |
| Unrealised gain/(loss) on financial assets at fair value through profit or loss | | 8,407 | (34,714) |
| Realised gain on disposal of financial assets at fair value through profit or loss | | 17,624 | 3,615 |
| Impairment loss on available-for-sale financial assets | | - | (20,855) |
| Realised loss on disposal of available for sale financial assets | | (15,457) | - |
| Share of net (loss)/profits from associates and joint ventures | 10 | (50,547) | 51,174 |
| Fair value gain on investment properties, net | 6 | 82,773 | - |
| Project costs written off, net | | (101,241) | (30,188) |
| Impairment of property, plant and equipment | | (84,869) | - |
| Provision for doubtful debts | | (58,033) | - |
| Impairment of goodwill | | (29,773) | - |
| General and administrative expenses | 28 | (247,908) | (289,313) |
| Selling and marketing expenses | 29 | (49,652) | (311,513) |
| Finance income | 30 | 80,688 | 120,508 |
| Finance costs | 31 | (122,790) | (80,262) |
| Other income | 32 | 142,771 | 79,312 |
| | | <hr/> | <hr/> |
| Profit for the year | | 494,998 | 1,784,268 |
| | | <hr/> | <hr/> |
| Attributable to: | | | |
| Owners of the parent | | 482,785 | 1,858,158 |
| Non-controlling interest | | 12,213 | (73,890) |
| | | <hr/> | <hr/> |
| Profit for the year | | 494,998 | 1,784,268 |
| | | <hr/> | <hr/> |
| Basic and diluted earnings per share (in AED per share) | 33 | 0.19 | 0.74 |
| | | <hr/> | <hr/> |

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2009**

| | Note | 2009 AED'000 | 2008 AED'000 |
|--|------|-----------------|-----------------|
| Profit for the year | | 494,998 | 1,784,268 |
| Other comprehensive income/(loss) | | | |
| Release on disposal of available-for-sale financial assets | | 16,171 | - |
| Increase/(decrease) in fair value of available-for-sale financial assets | 11 | 8,282 | (37,147) |
| Interest rate cash flow hedge | | (12,670) | (1,423) |
| Exchange differences arising on translation of foreign operations | | (167) | (1,897) |
| Directors' remuneration | | (37,163) | (31,435) |
| Other comprehensive loss for the year | | (25,547) | (71,902) |
| Total comprehensive income for the year | | 469,451 | 1,712,366 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 457,271 | 1,786,670 |
| Non-controlling interest | | 12,180 | (74,304) |
| | | 469,451 | 1,712,366 |

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

SOROUH REAL ESTATE PJSC

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Consolidated statement of changes in equity for the year ended 31 December 2009

| | Share capital AED'000 | Share issuance costs, net AED'000 | Statutory reserve AED'000 | Hedging reserve AED'000 | Revaluation reserve AED'000 | Translation reserve AED'000 | Retained earnings AED'000 | Equity attributable to Owners of the parent AED'000 | Non - controlling interest AED'000 | Total AED'000 |
|---|-----------------------------|--|---------------------------------|-------------------------------|-----------------------------------|-----------------------------------|---------------------------------|--|---|------------------|
| Balance at 1 January 2008 | 2,500,000 | (5,292) | 223,292 | - | - | - | 1,744,996 | 4,462,996 | - | 4,462,996 |
| Profit for the year | - | - | - | - | - | - | 1,858,158 | 1,858,158 | (73,890) | 1,784,268 |
| Transfer to statutory reserve | - | - | 185,816 | - | - | - | (185,816) | - | - | - |
| Other comprehensive loss for the year | - | - | - | (1,423) | (37,112) | (1,518) | (31,435) | (71,488) | (414) | (71,902) |
| Non-controlling interest in the capital of subsidiaries established during the year | - | - | - | - | - | - | - | - | 103 | 103 |
| Minority interest in the net assets of subsidiaries on acquisition date | - | - | - | - | - | - | - | - | 82,859 | 82,859 |
| Dividends | - | - | - | - | - | - | (300,000) | (300,000) | - | (300,000) |
| Balance at 1 January 2009 | 2,500,000 | (5,292) | 409,108 | (1,423) | (37,112) | (1,518) | 3,085,903 | 5,949,666 | 8,658 | 5,958,324 |
| Profit for the year | - | - | - | - | - | - | 482,785 | 482,785 | 12,213 | 494,998 |
| Transfer to statutory reserve | - | - | 48,279 | - | - | - | (48,279) | - | - | - |
| Other comprehensive loss for the year | - | - | - | (12,670) | 24,453 | (134) | (37,163) | (25,514) | (33) | (25,547) |
| Effects of changes in the capital of a subsidiary | - | - | - | - | - | - | - | - | (3,289) | (3,289) |
| Non-controlling interest in the capital of subsidiaries established during the year | - | - | - | - | - | - | - | - | 103 | 103 |
| Acquisition of non-controlling interest of a subsidiary | - | - | - | - | - | - | (80,316) | (80,316) | 80,316 | - |
| Dividends | - | - | - | - | - | - | (300,000) | (300,000) | - | (300,000) |
| Balance at 31 December 2009 | 2,500,000 | (5,292) | 457,387 | (14,093) | (12,659) | (1,652) | 3,102,930 | 6,026,621 | 97,968 | 6,124,589 |

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

**Consolidated statement of cash flows
for the year ended 31 December 2009**

| | 2009 AED'000 | 2008 AED'000 |
|---|--------------------|------------------|
| Operating activities | | |
| Profit for the year | 494,998 | 1,784,268 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 25,258 | 11,195 |
| Amortisation of non-cash prepaid leases | 434 | 434 |
| Loss/(gain) on disposal of property, plant and equipment | 4,837 | (7) |
| Provision for infrastructure costs | 853,160 | 1,290,165 |
| Amortisation of intangible assets | 9,002 | 6,188 |
| Project costs written off, net | 101,241 | 65,550 |
| Impairment of property, plant and equipment | 84,869 | - |
| Impairment of goodwill | 29,773 | - |
| Provision for doubtful debts | 58,033 | - |
| Fair value gain on investment properties, net | (82,773) | - |
| Gain on disposal of a joint venture | (38,201) | - |
| Realised loss on disposal of available-for-sale financial assets | 15,457 | - |
| Impairment loss on available-for-sale financial assets | - | 20,855 |
| Unrealised (gain)/loss on financial assets at fair value through profit and loss | (8,407) | 34,714 |
| Realised gain on disposal of financial assets at fair value through profit and loss | (17,624) | (3,615) |
| Share of net loss/(profits) from associates and joint ventures | 50,547 | (54,351) |
| Finance income | (80,688) | (120,508) |
| Finance cost | 122,790 | 80,262 |
| Provision for end of service benefits, net | 5,942 | 6,755 |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 1,628,648 | 3,121,905 |
| Decrease in land held for sale | 118,688 | 358,229 |
| Decrease in inventories | 16,654 | 4,385 |
| Expenditure on development work-in-progress | (1,456,038) | (1,314,740) |
| Decrease/(increase) in trade and other receivables | 373,101 | (2,027,480) |
| (Decrease)/ increase in trade and other payables | (2,040,235) | 2,767,335 |
| Decrease in notes payable | (135,852) | (68,918) |
| Decrease in other long-term payables | (91,134) | (9,121) |
| | <hr/> | <hr/> |
| Net cash (used in)/ from operating activities | (1,586,168) | 2,831,595 |

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

**Consolidated statement of cash flows
for the year ended 31 December 2009 (continued)**

| | 2009 AED'000 | 2008 AED'000 |
|---|--------------------|--------------------|
| Investing activities | | |
| Payments for property, plant and equipment | (200,050) | (25,699) |
| Proceeds from disposal of property, plant and equipment | 326 | 7 |
| Payments for investment properties | (2,270) | (5,257) |
| Payments for investment properties under development | (195,266) | (176,915) |
| Payments to acquire available-for-sale financial assets | (4,066) | (167,514) |
| Payments to acquire financial assets at fair value through profit and loss | - | (2,008) |
| Proceeds from disposal of financial assets at fair value through profit and loss | 34,867 | 66,367 |
| Proceeds from disposal of available-for-sale financial assets | 87,551 | - |
| Payments for investment in associates | (2,600) | (217,815) |
| Payments for investment in joint ventures | - | (160,073) |
| Payments for acquisition of a subsidiary | (66,000) | (132,660) |
| Cash received from business combination | - | 78,013 |
| Interest received | 158,603 | 103,716 |
| Dividend received | 8,000 | 3,000 |
| Movement in term deposits with original maturities greater than three months and restricted short term deposits | 163,942 | (1,321,721) |
| Net cash used in investing activities | (16,963) | (1,958,559) |
| Financing activities | | |
| Minority contribution in the capital of subsidiary | 103 | 103 |
| Adjustment on the minority contribution in the capital of a subsidiary | (3,289) | - |
| Repayment of bank borrowings | (92,885) | (66,809) |
| Bank borrowings raised | 1,205 | 54,181 |
| Dividends paid | (330,082) | (308,004) |
| Repayment of non-convertible Sukuk | (1,720,810) | (320,857) |
| Finance costs paid | (162,761) | (187,988) |
| Proceeds from non-convertible Sukuk | - | 4,016,000 |
| Net cash (used in)/from financing activities | (2,308,519) | 3,186,626 |
| Net (decrease)/increase in cash and cash equivalents | (3,911,650) | 4,059,662 |
| Cash and cash equivalents at the beginning of the year | 5,517,319 | 1,457,657 |
| Cash and cash equivalents at the end of the year (note 18) | 1,605,669 | 5,517,319 |

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

**Notes to the consolidated financial statements
for the year ended 31 December 2009**

1 General

Sorouh Real Estate PJSC (the “Company”) was initially formed by a Ministerial Decree dated 23 July 2005 and formally incorporated as a public joint stock company in the Emirate of Abu Dhabi, United Arab Emirates, on 26 July 2005. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) include real estate development and sale, real estate investment, property management, contracting works and related services.

The Company is domiciled in the United Arab Emirates and its registered office is P.O. Box 93666 Abu Dhabi, United Arab Emirates.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these consolidated financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the consolidated financial statements are set out in section 2.2.

- IAS 1 (as revised in 2007) *Presentation of Financial Statements* IAS 1 (2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of consolidated the financial statements.
- Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures) The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
- IAS 40 (revised) *Investment property*.

As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the Group’s general accounting policy, investment property under development is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in consolidated statement of income.

The policy has been applied prospectively from 1 January 2009 in accordance with the relevant transitional provisions. The change in accounting for investment properties under development has not resulted in adjustment as the fair value of these properties approximate the carrying amounts. The Group had previously accounted for such assets at cost less accumulated impairment losses under IAS 16 Property, Plant and Equipment.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.1 Standards affecting presentation and disclosure (continued)

IFRS 8 Operating Segment

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard IAS 14 *Segment Reporting* required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments is now based on the information reported to the Group's Chief Operating Officer which is specifically focussed on each line of business as disclosed in Note 38.

2.2 Standards and Interpretations adopted with no effect on the consolidated financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
- IAS 23 (as revised in 2007) *Borrowing Costs*

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
- IFRIC 13 *Customer Loyalty Programmes*

The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

**2.2 Standards and Interpretations adopted with no effect on the consolidated financial
statements (continued)**

- IFRIC 15 *Agreements for the Construction of Real Estate*

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
- IFRIC 18 *Transfers of Assets from Customers (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)*

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.
- Improvements to IFRSs (2008)

Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 Annual Improvements to IFRSs majority of which are effective for annual periods beginning on or after 1 January 2009.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.3 Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

| New Standards and amendments to Standards: | Effective for annual periods beginning on or after |
|--|--|
| • IFRS 1 (revised) <i>First time Adoption of IFRS</i> – Amended and restructured | 1 July 2009 and 1 January 2010 |
| • IFRS 3 (revised) <i>Business Combinations</i> – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> , IAS 28 (revised) <i>Investments in Associates</i> and IAS 31 (revised) <i>Interests in Joint Ventures</i> | 1 July 2009 |
| • IAS 39 (revised) <i>Financial Instruments: Recognition and Measurement</i> – Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options) | 1 July 2009 |
| • IFRS 1 (revised) <i>First time Adoption of IFRS</i> – Amendment on additional exemptions for First-time Adopters | 1 January 2010 |
| • IFRS 2 (revised) <i>Share-based payment</i> – Amendment relating to Group cash-settled Share-based payments | 1 January 2010 |
| • IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue | 1 February 2010 |
| • IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government | 1 January 2011 |
| • IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7) | 1 January 2013 |
| • Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 Annual Improvements to IFRSs. | Majority effective for annual periods beginning on or after 1 January 2010 |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.3 Standards and Interpretations in issue not yet effective (continued)

| New Interpretations and amendments to Interpretations: | Effective for annual periods beginning on or after |
|---|---|
| • IFRIC 17: <i>Distributions of Non-cash Assets to Owners</i> | 1 July 2009 |
| • IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i> | 1 July 2010 |
| • Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i> | 1 January 2011 |
| • Amendment to IFRIC 16: <i>Hedges of a Net Investment in a Foreign Operation</i> | 1 July 2009 |

The Directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments. The principal accounting policies are set out below:

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with minority interests are handled in the same way as transactions with external parties. Sale of participations to minority interests result in a gain or loss that is recognised in the consolidated statement of income. Acquisition of minority shares can result in goodwill if the cost exceeds the carrying amount of the acquired net assets.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Group's subsidiaries at 31 December 2009 are as follows:

| Name of subsidiaries | Place of incorporation | ownership interest % | Principal Activities |
|---|-------------------------------|-----------------------------|--|
| Sorouh International Limited | U.A.E. | 100 | Holding company of foreign entities |
| Gate Towers- Shams Abu Dhabi L.L.C. | U.A.E. | 100 | Development of Gate Towers |
| Sorouh Abu Dhabi Real Estate L.L.C. | U.A.E. | 100 | Act as Mudareb in accordance with the Sukuk Issue structure |
| Sorouh International Development Limited | U.A.E. | 100 | Development of properties and real estate |
| Sorouh International Morocco Limited | U.A.E. | 100 | Development of properties and real estate |
| Lulu Island for Project Development L.L.C. | U.A.E. | 100 | Development of properties and real estate |
| Tilal Liwa Real Estate Investing L.L.C. | U.A.E. | 100 | Property, rental and management |
| Sun Finance Limited | Jersey, Channel Islands | 100 | Issuance of the Sukuk Certificates and execution of the issuance documents |
| Al Seih Real Estate Management L.L.C. | U.A.E | 91.4 | Management and leasing of real estate; real estate projects investment |
| Seih Sdeirah Real Estate L.L.C. | U.A.E. | 91.4 | Property rental and management; real estate projects investments |
| Sorouh Egypt for Investment and Tourism Development JSC | Egypt | 80 | Investment in tourism activity |
| Khidmah L.L.C. | U.A.E. | 60 | Management and leasing of real estate |
| Pivot Engineering & General Contracting Co. (WLL) | U.A.E | 60 | Engineering and general construction works |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregated of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated statement of income.

The non-controlling interest in the acquiree is initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3.5 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint venture are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Notes to the consolidated financial statements for the year ended 31 December 2009 (continued)

3 Summary of significant accounting policies (continued)

3.6 Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

The results and assets and liabilities of the associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated statement of income.

Where the Group transacts with an associate, profits and losses are eliminated to the extent of the Group interest in the relevant associate.

3.7 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated statement of income on disposal.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.8 Intangible assets

3.8.1 Intangible assets acquired separately

An intangible asset is recognised at fair value as at the date of acquisition of the right to the extent the Group receives a right to charge users of the service. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in consolidated statement of income when the asset is derecognised.

3.8.2 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and the fair values can be measured reliably. The cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses on a straight-line basis over their estimated useful lives.

The following useful lives are used in the calculation of amortisation of intangibles:

| | |
|------------------------|---|
| Trade name | Indefinite |
| Leasehold premises | Over periods of leases |
| Vendor price benefit | Indefinite |
| Customer relationships | 5 – 10 years |
| Contracts on hand | Based on remaining periods of contracts |

The estimated useful life and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities.

3.9.1 Sale of properties

Revenue from the sale of properties shall be recognised when the equitable interest in a property vests in a buyer and all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.9.2 Rental income

Lease income from operating leases is recognised on a straight-line basis over the lease term.

3.9.3 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

3.9.4 Dividend income

Dividend income is recognised when the right to receive payment is established

3.10 Construction contracts

The Group recognises revenue from contracts following the percentage-of-completion method.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included in revenue to the extent that they have been agreed with the client and can be reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.10 Construction contracts (continued)

Costs of contracts include all direct costs of labour, materials, depreciation of property, plant and equipment and costs of subcontracted works, plus an appropriate proportion of construction overheads and general and administrative expenses of the year, which are allocated to construction contracts in progress during the year.

The gross amount due from clients for contract work classified under accounts receivable, is the net amount of costs incurred plus recognised profits; less recognised losses and progress billings, for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

The gross amount due to clients for contract work classified under accounts payable, is the net amount of costs incurred plus recognised profits less recognised losses and less progress billings, for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

3.11 Leasing

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

3.11.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Lease income from operating leases is recognised on a straight-line basis over the term of the relevant lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.11.2 The Group as lessee

Leases payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into the operating lease are also spread on a straight-line basis over the lease term.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.12 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in U.A.E Dirhams (AED) which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of income in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in consolidated income statement and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in AED using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the consolidated statement of income and accumulated in equity (attributed to non-controlling interests as appropriate).

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

The cost of property, plant and equipment is their purchase cost, together with any incidental expense of acquisition.

Depreciation is calculated so as to write off the cost of property, plant and equipment, other than land and properties under construction, over their useful lives using the straight line method on the following basis:

| | |
|------------------------|--------------|
| Buildings | 25 years |
| Furniture and fixtures | 4 – 10 years |
| Office equipment | 3 – 5 years |
| Motor vehicles | 3 – 5 years |
| Plant and machinery | 3 – 10 years |
| Labour camps | 10 years |

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.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of income.

3.15 Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

3.16 Inventories

Inventories consisting of materials in stores for use of projects are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.17 Investment property

Investment property, which is property held to earn rental income and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the consolidated statement of income in the period in which they arise.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.18 Investment properties under development

Investment properties under development that are being constructed or developed for future use as investment property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment property under development is measured at fair value. Gains and losses arising from changes in the fair value of investment property under development are included in the consolidated income statement in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

3.19 Development work-in-progress

Development work-in-progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses.

3.20 Land held for resale

Land held for resale is stated at lower of cost and net realisable value. Costs include the cost of land acquired. Net realisable value represents the estimated selling price of the land less all estimated costs necessary to make the sale.

3.21 Government grants

Land granted by the government is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

3.22 Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)****3 Summary of significant accounting policies (continued)****3.22 Impairment of tangible and intangible assets excluding goodwill (continued)**

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

3.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 consolidated balance sheet 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.23.1 Employee benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension and national insurance contributions for U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

3.24 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances at banks. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.25 Financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are measured at fair value.

Financial assets are classified into the following specified categories:

Financial assets at fair value through profit and loss (FVTPL), 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.

3.25.1 Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in consolidated income statement. The net gain or loss recognised in consolidated income statement incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through consolidated statement of income are determined by reference to quoted market prices.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.2 Available-for-sale financial assets

Available-for-sale investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the net consolidated income statement for the period. Impairment losses recognised in consolidated statement of income for equity investments classified as available-for-sale are not subsequently reversed through consolidated statement of income.

3.25.3 Loans and receivables

Trade receivables and other receivables 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.

3.25.4 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

For unquoted shares classified as AFS at cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

3 Summary of significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.4 Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated statement of 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.

In respect of AFS equity securities, impairment losses previously recognised through consolidated income statement are not reversed through consolidated income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3.25.5 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 entity. 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.

3.26 Financial liabilities and equity instruments

3.26.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.26.2 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.

3.26.3 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)****3 Summary of significant accounting policies (continued)****3.26 Financial liabilities and equity instruments (continued)****3.26.4 Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.27 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is 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 income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

3.27.1 Hedge accounting

At the inception of the hedge relationship, the entity 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 that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3.27.2 Cash flow hedges

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

Amounts deferred in equity are recycled in the consolidated statement of income in the periods when the hedged item is recognised in consolidated statement of income, 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 deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

4 Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

4.1.1 Business Combinations

In accordance with International Financial Reporting Standards, the Group is required to allocate the cost of business combinations by recognising, at fair value the acquiree's identifiable assets, liabilities and contingent liabilities that meet certain recognition criteria. In doing so, management have exercised their judgment, based on experience and knowledge of the industry, in determining the applicability of the recognition criteria, including the separability of intangible assets, the amortisation timetable and the impairment tests to be applied in future.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property plant and equipment and land held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by management.

4.1.3 Classification of leases

The Group, as a lessor, entered into long term lease arrangements for plots of land with entities outside the Gulf Cooperation Council (non-GCC entities) whereby the lease term under each lease is valid for a period of 99 years renewable at the option of the lessees for an indefinite duration.

In the process of determining whether these arrangements represent operating leases or finance leases, the Group management has made various judgments. In making its judgments, the Group management considered the terms and conditions of the lease agreements and the requirements of International Accounting Standard 17 "Leases", including the Basis for Conclusions on IAS 17 provided by the International Accounting Standards Board and related guidance, to determine whether significant risks and rewards associated with the land in accordance with each lease term would have been transferred to the lessees despite there being no transfers of title. The Group evaluated the transfer of risks and rewards before and after entering into the lease arrangements, and has obtained a legal opinion from independent legal advisors. Management has determined that in the lease arrangements referred to above, the Group transferred substantially all risks and rewards of ownership to the lessees with practical ability for the lessees to exercise unilaterally all rights on the plots of land. Accordingly, management is satisfied that these arrangements represent finance leases.

During the year, the Group recognised revenue from sale of land under finance leases amounting to AED 54 million (2008: AED 914.7 million) with cost of sale amounting to AED 20.3 million (2008: AED 366.8 million).

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

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

4.2 Key sources of estimation

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

4.2.1 Allowance for doubtful debts

Management has estimated the recoverability of accounts receivable balances and has considered the allowance required for doubtful debts based on the current economic environment and past default history.

4.2.2 Estimate of fair value of investment property

The fair value of villas held as investment property is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets.

The determination of the fair value of investment properties require the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, overall repair and condition of the property) and discount rates applicable to those assets.

The fair value of land held as investment property has been determined by management based on the amount within a range of reasonable fair value estimates by considering recent transaction prices or rentals and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same or similar locations and conditions, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has also identified any differences in the nature, location or condition of the properties, or in the contractual terms of the leases and other contracts, with adjustments made to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at market prices. Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

The continuing volatility in the global financial system and in real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2009, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

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

4.2 Key sources of estimation (continued)

4.2.3 Contract cost estimates

As described in note 3.10, when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. In judging whether the outcome of the construction contract can be estimated reliably, management has considered the detailed criterion for determination of such outcome as set out in *IAS 11 'Construction Contracts'*. For the purpose of estimating the stage of completion of contract activity, management has considered the contracted revenue and forecasted cost related to the construction contract.

4.2.4 Project cost to complete estimates

At each consolidated statement of financial position the Group is required to estimate costs to complete fixed price and modified fixed price contracts. Estimating costs to complete on such contracts requires the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates include the cost of potential claims by contractors and the cost of meeting other contractual obligations to the customers.

4.2.5 Provision for infrastructure construction

The Group has an obligation under the terms of its sale and purchase agreements to develop the infrastructure of the sold land. Infrastructure cost is deemed to form part of the cost of revenue and is based on management estimate. The provision for infrastructure costs requires the Group's management to revise its estimate of such costs on a regular basis in light of current market prices for inclusion as part of the cost of revenue.

4.2.6 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculations require the entity to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value of those estimated future cash flows.

4.2.7 Impairment of other intangible assets with indefinite lives

An annual assessment is required to be made as to whether intangible assets with indefinite useful lives other than the goodwill have been impaired. Determining whether such assets are impaired requires an estimation of the value in use of assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each asset and a suitable discount rate in order to calculate present value. The aggregate carrying amount of indefinite life of intangible assets other than goodwill at the end of the reporting period was AED 118.46 million (note 8).

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

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

4.2 Key sources of estimation (continued)

4.2.8 Impairment of other intangible assets with definite lives

Finite life intangible assets have to be tested for impairment only if there are indications that they may be impaired. Determining whether such assets are impaired requires an estimation of the value in use of assets. The value in use calculation can be undertaken using the same techniques employed to value the asset as on date of acquisition. However, no marketability discount would need to be applied as value in use rather than fair value is being computed. The aggregate carrying amount of finite life intangible assets at the end of the reporting period was AED 15.84 million (note 8).

4.2.9 Impairment of properties under development

Properties classified under capital work in progress and development work in progress are assessed for impairment based on assessed cash flows on individual cash-generating units when there is indication that those assets have suffered an impairment loss. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash-generating units. The net present values are compared to the carrying amounts to assess any probable impairment.

4.2.10 Impairment of available-for-sale financial assets

Management regularly reviews indicators of impairment for available-for-sale financial assets and considers whether there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged decline requires judgement. In making this judgement and to decide if an impairment loss adjustment is necessary, the Management evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows and pay out dividend capability of the investee. In assessing the volatility in the share price, the Management also takes into consideration various aspects related to the market, including but not limited to, volume of trading over the past period, whether the listed price is a reflection of a distressed value driven by inactive or illiquid one way market, and the subsequent performance of the market after the end of the reporting period. Management also considers its intent and ability to hold the investment until its market price recovers. Impairment of available-for-sale financial assets at 31 December 2009 is AED Nil (2008: AED 20.85 million).

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

| 5 | Property, plant and equipment | Buildings AED'000 | Furniture & fixtures AED'000 | Office equipment AED'000 | Motor vehicles AED'000 | Plant and machinery AED'000 | Labour camps AED'000 | Land at Sharjah AED'000 | Capital work in progress AED'000 | Total AED'000 |
|---|---|----------------------|------------------------------------|--------------------------------|------------------------------|-----------------------------------|----------------------------|-------------------------------|---|------------------|
| | Cost | | | | | | | | | |
| | 1 January 2008 | - | 6,112 | 5,757 | 782 | - | - | - | 9,647 | 22,298 |
| | Additions | - | 9,332 | 8,049 | 1,385 | 2,705 | - | - | 4,228 | 25,699 |
| | Additions through business combination | - | 10,317 | - | 7,786 | 48,580 | 17,753 | 1,350 | 1,107 | 86,893 |
| | Disposals | - | (35) | - | - | - | - | - | - | (35) |
| | 1 January 2009 | - | 25,726 | 13,806 | 9,953 | 51,285 | 17,753 | 1,350 | 14,982 | 134,855 |
| | Additions | 159,519 | 15,644 | 8,457 | 859 | 12,210 | 3,024 | - | 337 | 200,050 |
| | Impairment of assets | (84,869) | - | - | - | - | - | - | - | (84,869) |
| | Disposals | - | (6,175) | (232) | (216) | - | - | - | - | (6,623) |
| | Transfers | - | 926 | 6,243 | - | - | - | - | (7,169) | - |
| | 31 December 2009 | 74,650 | 36,121 | 28,274 | 10,596 | 63,495 | 20,777 | 1,350 | 8,150 | 243,413 |

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

| 5 | Property, plant and equipment (continued) | Buildings AED'000 | Furniture & fixtures AED'000 | Office equipment AED'000 | Motor vehicles AED'000 | Plant and machinery AED'000 | Labour camps AED'000 | Land at Sharjah AED'000 | Capital work in progress AED'000 | Total AED'000 |
|---|--|----------------------|------------------------------------|--------------------------------|------------------------------|-----------------------------------|----------------------------|-------------------------------|---|------------------|
| | Accumulated depreciation | | | | | | | | | |
| | 1 January 2008 | - | 1,333 | 2,577 | 417 | - | - | - | - | 4,327 |
| | Additional accumulated depreciation through business combination | - | 5,829 | - | 2,293 | 19,350 | 4,180 | - | - | 31,652 |
| | Disposals | - | (35) | - | - | - | - | - | - | (35) |
| | Charge for the year | - | 2,751 | 2,444 | 1,000 | 3,601 | 1,399 | - | - | 11,195 |
| | 1 January 2009 | - | 9,878 | 5,021 | 3,710 | 22,951 | 5,579 | - | - | 47,139 |
| | Disposals | - | (1,232) | (60) | (168) | - | - | - | - | (1,460) |
| | Charge for the year | - | 7,108 | 6,326 | 1,675 | 7,094 | 3,055 | - | - | 25,258 |
| | 31 December 2009 | - | 15,754 | 11,287 | 5,217 | 30,045 | 8,634 | - | - | 70,937 |
| | Carrying amount | | | | | | | | | |
| | 31 December 2009 | 74,650 | 20,367 | 16,987 | 5,379 | 33,450 | 12,143 | 1,350 | 8,150 | 172,476 |
| | 31 December 2008 | - | 15,848 | 8,785 | 6,243 | 28,334 | 12,174 | 1,350 | 14,982 | 87,716 |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

5 Property, plant and equipment (continued)

Property, plant and equipment includes a plot of land granted by the Government of Abu Dhabi, on which the Group has the intention to build its head office premises. The land is accounted for at nominal value of AED 1.

During the year, the Group carried out a review of the recoverable amount of certain assets and assessed them for impairment based on cash flows from individual cash-generating units. Cash flows have been determined based on contractual agreements and estimates over the useful life of the assets and discounted at the rate of 11% per annum. Impairment losses recognised in respect of property, plant and equipment during the year amounted to AED 84.9 million (2008: Nil).

6 Investment properties

Investment properties comprise of the following:

| | 2009 | 2008 |
|------------------------------------|----------------------------|---------------------|
| | AED'000 | AED'000 |
| Land held as investment property | 149,851 | 149,851 |
| Villas held as investment property | 833,279 | 207,785 |
| | <hr/> 983,130 <hr/> | <hr/> 357,636 <hr/> |

Movement during the year is as follows:

| | 2009 | 2008 |
|---|----------------------------|---------------------|
| | AED'000 | AED'000 |
| Opening balance | 357,636 | 352,379 |
| Transfer from investment properties under development (note 7) | 540,451 | - |
| Increase in fair value, net | 82,773 | - |
| Additions | 2,270 | 5,257 |
| | <hr/> 983,130 <hr/> | <hr/> 357,636 <hr/> |

The fair value of land held as investment property has been estimated by management by considering recent transaction prices or rentals and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same or similar locations and conditions, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has also identified any differences in the nature, location or condition of the properties, or in the contractual terms of the leases and other contracts, with adjustments made to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at market prices.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

6 Investment properties (continued)

The fair value of the villas has been arrived at on the basis of a valuation carried out by independent valuers not related to the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation was determined by reference to discounted cash flow. The effective date of the valuation is 31 December 2009.

All investment properties are located in the United Arab Emirates.

7 Investment properties under development

| | 2009 | 2008 |
|--|------------------|----------------|
| | AED'000 | AED'000 |
| Opening balance | 602,408 | 425,246 |
| Transfer to investment properties (note 6) | (540,451) | - |
| Additions during the year | 195,266 | 176,915 |
| Additions through business combination | - | 247 |
| | <hr/> | <hr/> |
| | 257,223 | 602,408 |
| Less: Impairment for the year | - | (29,639) |
| | <hr/> | <hr/> |
| | 257,223 | 572,769 |
| | <hr/> <hr/> | <hr/> <hr/> |

All investment properties under development are located in the United Arab Emirates.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

8 Intangible assets

| | Trade name AED'000 | Leasehold premises AED'000 | Vendor price benefit AED'000 | Customer relationships AED'000 | Customer contracts AED'000 | Total AED'000 |
|---|-----------------------|-------------------------------|---------------------------------|-----------------------------------|-------------------------------|------------------|
| Cost | | | | | | |
| Acquisition through business combinations | 92,683 | 10,762 | 25,774 | 13,379 | 6,890 | 149,488 |
| As at 31 December 2008 and 2009 | 92,683 | 10,762 | 25,774 | 13,379 | 6,890 | 149,488 |
| Accumulated amortisation | | | | | | |
| Amortisation for the year | - | 1,461 | - | 1,694 | 3,033 | 6,188 |
| As at 31 December 2008 | - | 1,461 | - | 1,694 | 3,033 | 6,188 |
| Amortisation for the year | - | 2,341 | - | 3,216 | 3,445 | 9,002 |
| As at 31 December 2009 | - | 3,802 | - | 4,910 | 6,478 | 15,190 |
| Net carrying amount | | | | | | |
| As at 31 December 2009 | 92,683 | 6,960 | 25,774 | 8,469 | 412 | 134,298 |
| As at 31 December 2008 | 92,683 | 9,301 | 25,774 | 11,685 | 3,857 | 143,300 |

9 Goodwill

| | 2009 AED'000 | 2008 AED'000 |
|---|-----------------|-----------------|
| Opening balance | 508,281 | 345,355 |
| Impairment recognised during the year | (29,773) | - |
| Goodwill recognised from business combination (note 35) | - | 162,926 |
| | 478,508 | 508,281 |

At the end of the year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain properties of the Group was impaired by AED 29.8 million. The recoverable amount of the goodwill was assessed by reference to the related cash generating unit and based on a valuation carried out by independent valuers not related to the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

10 Investment in associates and joint ventures

| Investee | Ownership interest | Place of registration | Share in underlying assets of 1 January 2009 AED'000 | Addition AED'000 | Disposal AED'000 | Share in current year's profit/(loss) AED'000 | Dividends received AED'000 | Unrealised profit AED'000 | Allocated to joint venture current account AED'000 | Share in underlying net assets at 31 December 2009 AED'000 |
|---|--------------------|-----------------------|---|---------------------|---------------------|--|-------------------------------|------------------------------|---|---|
| Associates | | | | | | | | | | |
| Al Maabar International Investment LLC | 20% | Abu Dhabi | 96,333 | - | - | (10,445) | - | - | - | 85,888 |
| Aseel Finance PJSC | 20% | Abu Dhabi | 118,047 | - | - | (14,548) | (5,000) | - | - | 98,499 |
| Green Emirates Properties PJSC | 20% | Abu Dhabi | 129,801 | - | - | (26,326) | (3,000) | - | - | 100,475 |
| Bunya LLC | 33.33 % | Abu Dhabi | - | - | - | (1,248) | - | - | 1,248 | - |
| Abu Dhabi Finance PJSC* | 20% | Abu Dhabi | 100,000 | - | (100,000) | - | - | - | - | - |
| LLJ Properties LLC | 40% | Abu Dhabi | 6,224 | - | - | (3,478) | - | - | - | 2,746 |
| Al Sdeirah Real Estate Investment - LLC | 30% | Abu Dhabi | 3,000 | 9,696 | - | 8,500 | - | (21,196) | - | - |
| Galaxy Building Materials LLC | 45% | Abu Dhabi | - | 1,800 | - | (1,170) | - | - | - | 630 |
| Al Fayafi Al Khadra Landscaping LLC | 40% | Abu Dhabi | - | 800 | - | - | - | - | - | 800 |
| World-Class Initiatives and Standards in Education (W.I.S.E.) LLC | 20% | Abu Dhabi | - | 10,000 | - | - | - | - | - | 10,000 |
| Joint ventures | | | | | | | | | | |
| Rise Above Real Estate ** | 0.6% | Abu Dhabi | 154,948 | - | (154,948) | - | - | - | - | - |
| S&T Cool District Cooling Co. LLC | 50% | Abu Dhabi | 2,311 | - | - | (263) | - | - | - | 2,048 |
| Abu Dhabi Business Co. LLC *** | 51% | Abu Dhabi | - | - | - | (1,569) | - | - | 1,569 | - |
| | | | 157,259 | - | (154,948) | (1,832) | - | - | 1,569 | 2,048 |
| | | | 610,664 | 22,296 | (254,948) | (50,547) | (8,000) | (21,196) | 2,817 | 301,086 |

As at the end of the reporting period, 60% of the capital was called and collected by Green Emirates Properties PJSC (the "Associate"). The remaining 40% is payable within two years from the date of registration of the Associate in the commercial registry.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

10 Investment in associates and joint ventures (continued)

Latest available financial information in respect of the Group's associates is summarised below:

| | 2009 AED '000 | 2008 AED '000 |
|--|------------------|------------------|
| Total assets | 6,754,820 | 11,086,364 |
| Total liabilities | 5,258,520 | 9,650,496 |
| Net assets | 1,496,300 | 1,435,869 |
| Group's share of net assets of associates and joint ventures | 322,285 | 610,664 |
| Total revenue | 212,015 | 434,994 |
| Total (loss)/profit for the year | (182,756) | 499,467 |
| Group's share of net (loss)/profits of associates and joint ventures | (50,547) | 51,174 |

* The Group disposed of 4% interest in Abu Dhabi Finance P.J.S.C. reducing the Group's shareholding interest to 16%. The disposal has not resulted in any gain or loss on disposal. Accordingly, the investment of AED 80 million has been transferred to available-for-sale financial assets (note 11).

** The Group had a shareholding interest of 0.6% in Rise Above Real Estate with joint control over the strategic financial and operational decisions and was entitled to 25% share in the profit of the entity. Losses were shared in proportion to the respective shareholding interest. The investment was disposed of during the year with carrying value of AED 154.4 million (note 32).

*** Although the Group holds 51% of the equity shares of Abu Dhabi Business Co. LLC, the entity is jointly controlled by the Group and the other venturer. Profits and losses are shared equally.

11 Available-for-sale financial assets

Available-for-sale financial assets represent investments in unlisted equity securities of companies registered in the United Arab Emirates and non-UAE based funds.

Due to the absence of an active market or any recent transactions that could provide evidence of the current fair value, the unlisted equity securities registered in United Arab Emirates are carried at cost less impairment losses, if any. Management believes that the fair market value of these securities approximates their carrying value. The fair value of the non-UAE based funds is based on the latest quotations available in the market.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

11 Available-for-sale financial assets (continued)

| | 2009 | 2008 |
|--|----------------|----------------|
| | AED'000 | AED'000 |
| Balance at the beginning of the year | 148,887 | 39,251 |
| Additions during the year | 4,066 | 167,514 |
| Transfer from investment in associates (note 10) | 80,000 | - |
| Disposals during the year | (118,904) | - |
| Release of fair value on disposals during the year | 16,171 | - |
| Changes in fair value | 8,282 | (37,147) |
| Impairment losses | - | (20,855) |
| Additions through acquisition of a subsidiary | - | 124 |
| | <hr/> | <hr/> |
| Balance at the end of the year | 138,502 | 148,887 |
| | <hr/> <hr/> | <hr/> <hr/> |

Management reviewed its available-for-sale financial assets for impairment based on criteria that include the extent to which carrying value exceeds market value, the duration of the market decline, management's intent and ability to hold investment up to recovery and the financial health and specific prospects for the issuer. As a result, Management recognised impairment on available-for-sale financial assets for the amount of AED Nil (2008: AED 20.85 million).

The geographical distribution of available-for-sale financial assets is as follows:

| | 2009 | 2008 |
|-----------------|----------------|----------------|
| | AED'000 | AED'000 |
| Within the UAE | 112,442 | 24,326 |
| Outside the UAE | 26,060 | 124,561 |
| | <hr/> | <hr/> |
| | 138,502 | 148,887 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

12 Trade and other receivables

| | 2009 AED'000 | 2008 AED'000 |
|---|-----------------|-----------------|
| Non-current portion | | |
| Trade receivables | 1,120,920 | 1,829,394 |
| Due from related parties (note 34) | 1,800 | 108,748 |
| | <hr/> 1,122,720 | <hr/> 1,938,142 |
| Current portion | | |
| Trade receivables | 1,765,507 | 1,346,918 |
| Less: allowance for doubtful debts | (77,611) | (19,578) |
| | <hr/> 1,687,896 | <hr/> 1,327,340 |
| Advances to contractors | 588,377 | 675,496 |
| Advance for investment property | 184,366 | 73,774 |
| Due from related parties (note 34) | 75,129 | 105,264 |
| Retentions receivable | 54,027 | 34,603 |
| Gross amount due from clients (note 13) | 43,124 | 16,330 |
| Accrued income | 29,848 | 5,072 |
| Prepayments | 16,736 | 31,643 |
| Interest receivable | 7,043 | 32,831 |
| Other receivables | 173,337 | 90,699 |
| | <hr/> 2,859,883 | <hr/> 2,393,052 |
| | <hr/> <hr/> | <hr/> <hr/> |

Trade receivables represent the amounts due from sales of plots of land, properties and revenue from construction contracts. Interest is charged at 12% per annum on the outstanding past due amounts.

Past due receivables are provided for based on estimated irrecoverable amounts from the sale of plots of land and revenue from construction contracts, determined by reference to management expectations.

Of the trade receivables balance at the end of the year, 49% is due from 5 major customers. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 429 million (2008 : AED 250 million) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

12 Trade and other receivables (continued)

Ageing of past due but not impaired:

| | 2009 AED'000 | 2008 AED'000 |
|----------------|-----------------|-----------------|
| 0-60 days | 91,672 | - |
| 60-90 days | 49,972 | 71,777 |
| 90-120 days | 50,434 | 135,663 |
| 120-365 days | 232,489 | 42,416 |
| Above 365 days | 4,638 | - |
| | <u>429,205</u> | <u>249,856</u> |

Movement in the allowance for doubtful debts:

| | 2009 AED'000 | 2008 AED'000 |
|----------------------------------|-----------------|-----------------|
| Balance at beginning of the year | 19,578 | 19,578 |
| Charge for the year | 58,033 | - |
| | <u>77,611</u> | <u>19,578</u> |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, management believe that there is no further credit provision required in excess of the allowance for doubtful debts.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

13 Construction contracts

Contracts in progress at the end of the reporting period

| | 2009 AED'000 | 2008 AED'000 |
|--|-------------------------------|-------------------------------|
| Amount due from contract customers included in trade and other receivables (note 12) | 43,124 | 16,330 |
| Amount due to contract customers included in trade and other payables (note 24) | (96,971) | (12,186) |
| | <u>(53,847)</u> | <u>4,144</u> |
| Contracts cost incurred plus recognised profits less recognised losses to date | 1,506,169 | 819,428 |
| Less: Progress billings | (1,560,016) | (815,284) |
| | <u>(53,847)</u> | <u>4,144</u> |

14 Other financial assets

Other financial assets include a derivative designated and effective as hedging instrument carried at fair value. In connection with the non-convertible Sukuk issuance, the Group has entered into hedge agreement with a foreign bank in order to hedge its exposure to movements in interest rates.

Under the hedge agreement, the Group secures an interest rate cap which provides protection from rises in interest rates.

15 Land held for resale

| | 2009 AED'000 | 2008 AED'000 |
|---------------------------|-------------------------------|-------------------------------|
| Opening balance | 757,193 | 1,115,421 |
| Disposals during the year | (118,688) | (358,228) |
| | <u>638,505</u> | <u>757,193</u> |

The land held for resale at the year end is located in the United Arab Emirates.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

16 Development work-in-progress

| | 2009 | 2008 |
|---|------------------|------------------|
| | AED'000 | AED'000 |
| Balance at beginning of the year | 2,474,754 | 1,082,079 |
| Additions during the year | 2,427,691 | 1,382,275 |
| Transfer to an associate | (66,383) | - |
| Disposals during the year | (905,437) | - |
| Interest capitalised | 5,012 | 10,400 |
| | <u>3,935,637</u> | <u>2,474,754</u> |
| Less: Project costs written off during the year | (157,231) | - |
| | <u>3,778,406</u> | <u>2,474,754</u> |

The Group is also pursuing several other projects which are currently at the design or the pre-development phases.

All development work in progress relates to projects undertaken in the United Arab Emirates, except for Egypt project and Morocco project which are still in the pre-development phase with costs amounting to AED 56.5 million and AED 19.2 million respectively as at 31 December 2009 (2008: AED 56.3 million and AED 13.1 million respectively).

17 Financial assets at fair value through profit or loss

| | 2009 | 2008 |
|--------------------------------------|----------------|----------------|
| | AED'000 | AED'000 |
| Balance at the beginning of the year | 29,333 | 126,799 |
| Disposal during the year | (17,243) | (62,752) |
| Fair value gain /(loss) | 8,407 | (34,714) |
| | <u>20,497</u> | <u>29,333</u> |

The investments included above are held for trading and represent investments in listed equity securities listed in the United Arab Emirates that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of these securities are based on quoted market prices.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

18 Cash and cash equivalents

| | 2009 AED'000 | 2008 AED'000 |
|--|------------------|------------------|
| Cash in hand | 668 | 408 |
| Current account | 184,097 | 440,865 |
| Fixed deposits | 1,903,793 | 6,288,431 |
| Call account | 674,890 | 109,336 |
| | <u>2,763,448</u> | <u>6,839,040</u> |
| Less: | | |
| Short term deposits with original maturities date greater than three months | (1,000,000) | (1,100,000) |
| Restricted short term deposits | - | (123,998) |
| Deposits held under lien by the banks | (157,779) | (97,723) |
| | <u>1,605,669</u> | <u>5,517,319</u> |

The interest rate on term deposits ranges between 0.8% and 7.5% per annum based on the maturity of the deposits.

Cash and cash equivalents as at 31 December 2009 includes fixed deposits for an amount of AED 1 billion (31 December 2008: AED 1.1 billion) whose use is restricted for the financing of certain infrastructure construction costs.

Cash and cash equivalents as at 31 December 2009 includes current account balances of AED 178 million held with foreign banks.

19 Share capital

Share capital comprises of AED 2,500,000,000 authorised, issued and fully paid up ordinary shares of AED 1 each. Equity includes ordinary shares of AED 395 million issued at nominal value to the previous owner of Al Reem Island as partial payment of land's purchase consideration (note 25).

20 Statutory reserve

In accordance with its Articles of Association and the UAE Federal Law No. (8) of 1984, as amended, 10% of the annual net profit of the Company is transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital of the Company.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

21 Non-convertible Sukuk

In September 2008, the Group issued non-convertible Sukuk Certificates/Sukuk al-mudaraba al-muqayyada (the "Sukuk") for a total amount of AED 4.016 billion. The Sukuk are structured to conform to the principles of Islamic Sharia and were issued in 3 classes of certificates with initial capital amount, anticipated profit rate and weighted average life as follows:

| Class | Initial capital amount AED' 000 | Anticipated profit rate | Weighted average life | Scheduled dissolution date | Final dissolution date |
|--------------|--|--------------------------------|------------------------------|-----------------------------------|-------------------------------|
| Class A | 2,761,000 | 1 m EIBOR + 2% | 1.02 years | January 2012 | January 2015 |
| Class B | 251,000 | 1 m EIBOR + 2.5% | 2.05 years | January 2012 | January 2015 |
| Class C | 1,004,000 | 1 m EIBOR + 3.5% | 2.54 years | January 2012 | January 2015 |

As per the terms of the issuance, an amount of AED 1.84 billion of the proceeds was deposited in Reserve Accounts and will be mainly used to fund infrastructure development and any shortfall in profits payable. The Sukuk are secured by first fixed charge security over the Reserve Accounts and a floating charge over some of the Group's business and assets.

Transaction costs in connection with the issuance of the Sukuk amounted to AED 123 million.

The non-convertible Sukuk are presented in the consolidated statement of financial position as follows:

| | 2009 AED'000 | 2008 AED'000 |
|--|-------------------------|-------------------------|
| Proceeds from the issue of non-convertible Sukuk | 4,016,000 | 4,016,000 |
| Less: Issuance costs | (123,254) | (123,254) |
| Net proceeds from the issue of non-convertible Sukuk | 3,892,746 | 3,892,746 |
| Payments | (2,041,666) | (320,857) |
| Profit distribution accrued up to year end | 89,563 | 38,030 |
| Carrying amount of non-convertible Sukuk | 1,940,643 | 3,609,919 |
| Less: current portion | (970,565) | (1,735,626) |
| Non current portion of non-convertible Sukuk | 970,078 | 1,874,293 |

Sukuk profit payable amounting to AED 89.8 million has been capitalised during the year (2008: AED 22.6 million).

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

22 Provision for end of service benefits

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

| | 2009 AED'000 | 2008 AED'000 |
|--------------------------------|-----------------|-----------------|
| Balance at 1 January | 19,938 | 3,250 |
| Charge during the year | 13,208 | 8,187 |
| Payments during the year | (7,266) | (1,432) |
| On acquisition of a subsidiary | - | 9,933 |
| | <u>25,880</u> | <u>19,938</u> |

23 Bank borrowings

| | 2009 | | 2008 | |
|------------------------------------|--------------------|------------------------|--------------------|------------------------|
| | Current AED'000 | Non current AED'000 | Current AED'000 | Non current AED'000 |
| Secured – at amortised cost | | | | |
| Bank loan (1) | 5,864 | 17,593 | 5,864 | 23,457 |
| Bank loan (2) | - | - | 45,146 | - |
| Bank loan (3) | - | 95,235 | - | 91,493 |
| Bank overdraft | 13,511 | - | 54,181 | - |
| | <u>19,375</u> | <u>112,828</u> | <u>105,191</u> | <u>114,950</u> |

Bank loan (1) represents a loan assumed by the Group in 2007 following the acquisition of the six real estate projects of Al Rayan Investments Pvt JSC (“ARI”). The loan bears an interest rate at 6 months EIBOR plus a margin of 1.25% per annum and is repayable over 7 years. The loan is secured by a mortgage over the villas of one of the projects acquired from ARI.

Bank loan (2) was obtained in 2007 from a local bank for the purpose of financing the construction of villas at Abu Dhabi Golf Residential Community. The loan bears an interest rate at 3 months EIBOR plus a margin of 1.25% per annum and is repayable over 1 year. The loan is secured by the assignment over income from sale of the villas. The interest charge on the loan for the year amounting to AED 0.4 million has been capitalised (2008: AED 4.6 million). The loan has been fully repaid during the year.

Bank loan (3) was obtained in 2007 from a local bank for the purpose of financing the construction of Sky Tower on Al Reem Island, Abu Dhabi. The loan bears an interest rate at 3 months EIBOR plus a margin of 1.25% per annum and is repayable at the end of the fourth year from the date of initial disbursement. The loan is secured by the assignment over income from sale of the units of Sky Tower. The interest charge on the loan for the year amounting to AED 4.6 million has been capitalised (2008: AED 3.9 million).

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

24 Trade and other payables

| | 2009 | 2008 |
|---|------------------|----------------|
| | AED'000 | AED'000 |
| Advances from customers | 2,752,088 | 4,716,245 |
| Provision for infrastructure construction | 870,835 | 893,451 |
| Accrued expenses | 736,749 | 404,352 |
| Retention payable | 277,085 | 123,001 |
| Trade payables | 266,225 | 149,292 |
| Gross amounts due to contracts' customers (note 13) | 96,971 | 12,186 |
| Payable to minority shareholders | 75,461 | 76,400 |
| Due to related parties (note 34) | 58,933 | - |
| Dividend payable | 47,879 | 40,798 |
| Provision for future losses from projects | 9,010 | 35,362 |
| Sales commission payable | - | 125,641 |
| Other payables | 106,332 | 150,690 |
| | 5,297,568 | 6,727,418 |

25 Notes payable

The Group entered into a Sale & Purchase Agreement ("SPA") for the purchase of two plots of land in the Emirate of Abu Dhabi for a total consideration of AED 241 million and AED 75 million, respectively. As at the end of the reporting period, the outstanding balance payable was AED 3.8 million (2008: AED 3.8 million).

The Group also entered into a SPA on 1 April 2007 for the purchase of freehold title to a portion of Al Reem Island in Abu Dhabi for a consideration of AED 1,074,260,000. As at the end of reporting period, the outstanding balance payable was AED 135.8 million (2008: AED 271.7 million).

26 Revenue

| | 2009 | 2008 |
|-------------------------|------------------|----------------|
| | AED'000 | AED'000 |
| Sale of properties | 2,762,515 | 3,532,341 |
| Contract revenue earned | 200,477 | 126,963 |
| Lease income | 139,716 | 64,124 |
| | 3,102,708 | 3,723,428 |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

27 Cost of revenue

| | 2009 | 2008 |
|--------------------------|------------------------------|-----------------------|
| | AED'000 | AED'000 |
| Cost of properties sold | 1,967,401 | 1,290,165 |
| Cost of contract revenue | 182,441 | 118,151 |
| Lease expense | 29,861 | 18,608 |
| | <hr/> 2,179,703 <hr/> | <hr/> 1,426,924 <hr/> |

28 General and administrative expenses

| | 2009 | 2008 |
|---|----------------------------|---------------------|
| | AED'000 | AED'000 |
| Staff costs | 165,114 | 168,632 |
| Office rent | 15,276 | 11,464 |
| Depreciation on property, plant and equipment | 14,676 | 5,676 |
| Consultation and advisory costs | 13,063 | 39,708 |
| Amortisation of intangible assets | 9,002 | 6,188 |
| Provision for future losses on projects | - | 35,362 |
| Others | 30,777 | 22,283 |
| | <hr/> 247,908 <hr/> | <hr/> 289,313 <hr/> |

29 Selling and marketing expenses

| | 2009 | 2008 |
|------------------------------|---------------------------|---------------------|
| | AED'000 | AED'000 |
| Exhibitions and sponsorships | 23,560 | 56,725 |
| Advertising expenses | 5,736 | 81,383 |
| Sales commission | 1,702 | 167,361 |
| Others | 18,654 | 6,044 |
| | <hr/> 49,652 <hr/> | <hr/> 311,513 <hr/> |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

30 Finance income

| | 2009 | 2008 |
|--|-----------------|----------------|
| | AED'000 | AED'000 |
| Interest and profit income: | | |
| Bank fixed deposits | 128,125 | 128,607 |
| Call and other interest income | 4,690 | 1,947 |
| | <hr/> | <hr/> |
| Gross income | 132,815 | 130,554 |
| Less: Amounts offset against the finance costs capitalised during the year | (52,127) | (10,046) |
| | <hr/> | <hr/> |
| | 80,688 | 120,508 |
| | <hr/> <hr/> | <hr/> <hr/> |

31 Finance costs

| | 2009 | 2008 |
|---|-----------------|----------------|
| | AED'000 | AED'000 |
| Interest on bank loans: | | |
| Gross | 5,012 | 12,451 |
| Less: Amounts included in the cost of qualifying assets | (5,012) | (12,451) |
| | <hr/> | <hr/> |
| | - | - |
| | <hr/> | <hr/> |
| Sukuk profits: | | |
| Gross | 208,578 | 75,546 |
| Less: Amounts included in the cost of qualifying assets | (89,854) | (22,601) |
| | <hr/> | <hr/> |
| | 118,724 | 52,945 |
| | <hr/> | <hr/> |
| Interest on overdraft and other facilities | 2,862 | 27,218 |
| Net foreign exchange loss | 1,204 | 99 |
| | <hr/> | <hr/> |
| | 4,066 | 27,317 |
| | <hr/> | <hr/> |
| | 122,790 | 80,262 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

32 Other income

| | 2009 | 2008 |
|---|----------------------------|--------------------|
| | AED'000 | AED'000 |
| Late payment charges income | 47,545 | 27,554 |
| Commission income and management fees from an associate | 40,225 | - |
| Gain on disposal of a joint venture (note 10) | 38,201 | - |
| Transfer and other fees | 7,017 | 35,884 |
| Others | 9,783 | 15,874 |
| | <hr/> 142,771 <hr/> | <hr/> 79,312 <hr/> |

Other income includes net gain on disposal of investment in a joint venture and acquisition of non-controlling interest in a subsidiary amounting to AED 38 million. During the year, the Company entered into a transfer of shares agreement and Settlement and Release Agreements with Tameer Holding Investment L.L.C. ("Tameer") to dispose of its share in the joint venture company - Rise Above Real Estate and to acquire the remaining 40% shareholding of a subsidiary - Gate Towers - Shams Abu Dhabi L.L.C. ("The Gate").

33 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the year which amounted to 2,500,000,000 shares.

There were no potentially dilutive securities as at 31 December 2009.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

34 Transactions and balances with related parties

Related parties include the Group's major shareholders, directors, and business controlled by them and their families or over which they exercise a significant influence as well as key management personnel.

The Group maintains significant balances with these related parties, which are as follows:

| | 2009 | 2008 |
|--|----------------|----------------|
| | AED'000 | AED'000 |
| Due from related parties | | |
| Due from associates | 73,329 | 10,252 |
| Due from directors | 3,600 | 195,567 |
| Others | - | 8,193 |
| | <u>76,929</u> | <u>214,012</u> |
| Due to related parties | | |
| Due to non- controlling shareholders in subsidiaries | 57,315 | -- |
| Others | 1,618 | - |
| | <u>58,933</u> | <u>-</u> |

Significant transactions with these related parties are as follows:

| | 2009 | 2008 |
|---|----------------|---------|
| | AED'000 | AED'000 |
| Revenue from sale of properties to directors | 18,006 | 166,182 |
| Advances and payments effected on behalf of associates | 56,618 | 78,843 |
| Commission income and management fees from an associate | 40,225 | - |
| Revenue from sale of plot of land to a Joint Venture | - | 942,235 |
| Revenue from sale of land to an associate | 439,276 | - |
| Key management personnel remuneration | 24,196 | 23,232 |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

35 Acquisition of subsidiaries

(a) Acquisition of Pivot Engineering and General Contracting Co. WLL

In 2008, the Company acquired 60% of the issued share capital of Pivot Engineering and General Contracting Co. WLL for cash consideration of AED 264.7 million. This transaction has been accounted for by the purchase method of accounting effective 1 July 2008. The net assets acquired in the transaction, and the goodwill arising, are as follows:

| | Book value AED'000 | Fair value adjustment AED'000 | Fair value (100%) AED'000 | Fair value on acquisition (60%) AED'000 |
|---|-----------------------------------|--|--|--|
| Net assets acquired | | | | |
| Current assets | 315,631 | - | 315,631 | 189,379 |
| Non-current assets | 46,771 | 8,470 | 55,241 | 33,145 |
| Current liabilities | (271,271) | - | (271,271) | (162,762) |
| Long term liabilities | (9,933) | - | (9,933) | (5,960) |
| Retained earnings/ shareholders loan | (79,698) | 10,099 | (69,599) | (41,760) |
| Intangible assets | | 149,488 | 149,488 | 89,692 |
| | <u>1,500</u> | <u>168,057</u> | <u>169,557</u> | <u>101,734</u> |
| Goodwill on acquisition | | | 60% | 162,926 |
| Total consideration | | | | <u>264,660</u> |
| Cash consideration payable | | | | <u>(132,660)</u> |
| Cash consideration paid | | | | 132,000 |
| Cash and cash equivalents acquired | | | | <u>(77,658)</u> |
| Net cash outflow on acquisition | | | | <u>54,342</u> |

(b) Acquisition of Sorouh Egypt for Investment and Tourism Development SAE

In 2008, the Company acquired 80% ownership of Sorouh Egypt for Investment and Touristic Development JSC (formerly known as Modern Egyptian Company for Investment in Tourism MCIT), an Egyptian Company which mainly owns a plot of land in Egypt, with carrying value of AED 56.2 million.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

36 Contingent liabilities and commitments

| | 2009 | 2008 |
|-------------------|----------------|---------|
| | AED'000 | AED'000 |
| Bank guarantees | 472,861 | 375,025 |
| Letters of credit | 30,181 | 67,518 |

Bank guarantees and letters of credit are issued in the normal course of business.

Contractual capital commitments as at 31 December 2009 in respect of agreements with consultants and contractors for projects under development amounted to AED 6,152 million which are all expected to be paid within four years from the reporting date (notes 7 and 16). The Group has also a commitment of AED 40 million towards investment in associates and subsidiaries (note 10).

The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:

| | 2009 | 2008 |
|---|----------------|---------|
| | AED'000 | AED'000 |
| Not later than one year | 14,500 | 6,588 |
| Later than one year but not later than five years | 68,000 | 84,230 |
| Later than five years | 399,500 | 399,568 |
| | 482,000 | 490,386 |

37 Financial instruments

37.1 Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, which includes the non-convertible Sukuk and the borrowings disclosed in Notes 21 and 23, and equity attributable to Owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

37 Financial instruments (continued)

37.1 Capital risk management (continued)

37.1.1 Gearing ratio

The Group's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and debt. The Group has targeted a maximum gearing ratio of 100% determined as the proportion of debt to equity. The Group expects to increase its gearing ratio closer to 100% through the issue of new debt in 2010.

The gearing ratio at the year end was as follows:

| | 2009 | 2008 |
|----------------------|------------------|----------------|
| | AED'000 | AED'000 |
| Debt (1) | 2,072,846 | 3,830,060 |
| Equity (2) | 6,026,621 | 5,949,666 |
| Debt to equity ratio | 34.39% | 64.37% |

(i) Debt is defined as long and short term non convertible Sukuk and long and short-term borrowings, as detailed in Notes 21 and 23.

(ii) Equity includes all capital and reserves of the Group.

37.2 Significant accounting policies

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

37.3 Financial risk management objectives

The Group's Corporate Treasury function co-ordinates access to domestic and international financial markets and monitors and manages the financial exposures relating to the operations of the Group. These financial exposures include credit risk, liquidity risk and market risk.

The Corporate Treasury function reports on a regular basis to the Group's Executive Committee, an independent body that monitors funding and investment policies.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

37 Financial instruments (continued)

37.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates (as illustrated below).

37.4.1 Foreign currency risk management

Currency risk relates to 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 does not have any significant exposure to currency risk as most of its monetary assets are denominated in UAE Dirhams.

37.4.2 Interest rate risk management

The Group's exposure to interest rate risk results mainly from its funds borrowed at floating interest rates and short term deposits at fixed interest rates. The Group actively manages its interest rate risk on deposits.

The Group's exposure to interest rate cash flow risk is managed by the use of interest rate cap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 18, 21 and 23.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used to represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by AED 10 million (2008: decrease/increase by AED 19 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

37 Financial instruments (continued)

37.4 Market risk (continued)

37.4.3 Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic and trading purposes.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 20% higher/lower:

- The Group's profit would increase/decrease by AED 4.1 million (2008: increase/decrease by AED 5.6 million) as a result of the Group's portfolio classified at fair value through profit and loss.
- The Group's equity reserves would increase/decrease by AED 27.7 million (2008: increase/decrease by AED 29.6 million) as a result of the Group's portfolio classified as available-for-sale financial assets.

37.5 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. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group's significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics is provided in Note 12. The Group defines counterparties as having similar characteristics if they are related entities. Details on concentration of trade receivable balances are disclosed in Note 12. Management believes that the concentration of credit risk is mitigated by financial stability of its trade customers.. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

The carrying amount of trade and other receivables and cash and cash equivalents represents the Group's maximum exposure to credit risk.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

37 Financial instruments (continued)

37.6 Liquidity risk management

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

The following tables detail the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

| | Effective Interest rate % | Less than 1 month AED'000 | 1-6 months AED'000 | 7 months to 1 year AED'000 | 1-5 years AED'000 | Total AED'000 |
|---------------------------------|------------------------------------|---------------------------------|--------------------------|----------------------------------|----------------------|-------------------|
| 2009 | | | | | | |
| Non-interest bearing | - | 476,796 | 625,878 | 876,840 | 1,197,092 | 3,176,606 |
| Interest bearing instruments | 5.25 | 2,763,213 | - | - | - | 2,763,213 |
| | | <u>3,240,009</u> | <u>625,878</u> | <u>876,840</u> | <u>1,197,092</u> | <u>5,939,819</u> |
| 2008 | | | | | | |
| Non-interest bearing | - | 336,573 | 635,862 | 584,136 | 2,115,606 | 3,672,177 |
| Interest bearing instruments | 5.11 | 3,221,167 | 2,519,969 | 1,100,000 | - | 6,841,136 |
| | | <u>3,557,740</u> | <u>3,155,831</u> | <u>1,684,136</u> | <u>2,115,606</u> | <u>10,513,313</u> |

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

37 Financial instruments (continued)

37.6 Liquidity risk management (continued)

| | Effective Interest rate % | Less than 1 month AED'000 | 1-6 months AED'000 | 7 months to 1 year AED'000 | 1-5 years AED'000 | Total AED'000 |
|---------------------------------|------------------------------------|---------------------------------|--------------------------|----------------------------------|----------------------|------------------|
| 2009 | | | | | | |
| Non-interest bearing | - | 1,042,288 | 987,334 | 558,496 | 37,058 | 2,625,176 |
| Interest bearing instruments | 6.41 | 166,219 | 639,894 | 183,827 | 1,082,906 | 2,072,846 |
| | | <u>1,208,507</u> | <u>1,627,228</u> | <u>742,323</u> | <u>1,119,964</u> | <u>4,698,022</u> |
| 2008 | | | | | | |
| Non-interest bearing | - | 453,674 | 186,372 | 656,375 | - | 1,296,421 |
| Interest bearing instruments | 6.83 | 78,137 | 885,100 | 953,980 | 2,117,435 | 4,034,652 |
| | | <u>531,811</u> | <u>1,071,472</u> | <u>1,610,355</u> | <u>2,117,435</u> | <u>5,331,073</u> |

The Group has access to financing facilities, of which the unutilised amount is AED 50 million at the end of the reporting period. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Group expects to maintain current debt to equity ratio, within 100 % limits. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

37.7 Fair value of financial instruments

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) the carrying amounts approximate to their fair value. This applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Valuation of all financial instruments recorded at fair value, is based on quoted market prices.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

37 Financial instruments (continued)

37.7 Fair value of financial instruments (continued)

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and traded derivatives.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

| | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|--|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| <i>Available-for-sale financial assets</i> | | | | |
| Equity investments | - | 96,037 | - | - |
| AFS investment funds | 19,214 | 23,251 | - | - |
| Total | 19,214 | 119,288 | - | - |
| <i>Financial assets at FVTPL</i> | | | | |
| Listed equity securities | 20,497 | - | - | - |
| <i>Other financial assets</i> | | | | |
| Hedging instrument | - | 15,907 | - | - |

38 Segment reporting

For management purposes, the Group is organised into five main business segments – hospitality, property development, land sales, investment properties portfolio and construction.

Segment information about the Group's continuing operations for the year then ended is presented below:

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

38 Segment reporting (continued)

| Year ended 31 December 2009 | Hospitality AED'000 | Property Development and sales AED'000 | Land sales AED'000 | Investment properties AED'000 | Construction AED'000 | Total AED'000 |
|--|------------------------|---|--------------------------|-------------------------------------|-------------------------|------------------|
| External revenue | 284 | 1,176,869 | 1,585,646 | 139,432 | 200,477 | 3,102,708 |
| Cost of revenue | (16) | (989,147) | (978,254) | (29,845) | (182,441) | (2,179,703) |
| Fair value gain on investment property, net | - | - | - | 82,773 | - | 82,773 |
| Project cost written off, net | - | (101,241) | - | - | - | (101,241) |
| Impairment of property, plant and equipment | (84,869) | - | - | - | - | (84,869) |
| Provision for doubtful debts | - | - | (58,033) | - | - | (58,033) |
| Impairment of goodwill | - | - | - | (29,773) | - | (29,773) |
| Other income | - | 79,489 | 24,300 | 58 | 376 | 104,223 |
| Segment profit | (84,601) | 165,970 | 573,659 | 162,645 | 18,412 | 836,085 |
| Unrealised gain on financial assets at fair value through profit or loss | - | - | - | - | - | 8,407 |
| Realised gain on disposal of financial assets at fair value through profit of loss | - | - | - | - | - | 17,624 |
| Realised loss on disposal of available for sale financial assets | - | - | - | - | - | (15,457) |
| Share of loss from associates and joint venture | - | - | - | - | - | (50,547) |
| General and administrative | - | - | - | - | - | (247,908) |
| Selling and marketing | - | - | - | - | - | (49,652) |
| Finance income | - | - | - | - | - | 80,688 |
| Finance costs | - | - | - | - | - | (122,790) |
| Other income | - | - | - | - | - | 38,548 |
| | | | | | | 494,998 |

Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)

38 Segment reporting (continued)

| Year ended 31 December 2008 | Hospitality AED'000 | Property Development and sales AED'000 | Land sales AED'000 | Investment properties AED'000 | Construction AED'000 | Total AED'000 |
|--|------------------------|---|--------------------------|-------------------------------------|-------------------------|------------------|
| External revenue | - | - | 3,532,341 | 64,124 | 126,963 | 3,723,428 |
| Cost of revenue | - | - | (1,290,165) | (18,607) | (118,152) | (1,426,924) |
| Project cost written off, net | - | (17,357) | - | (12,831) | - | (30,188) |
| Other income | - | 28,595 | 36,399 | - | 191 | 65,185 |
| Segment profit | - | 11,238 | 2,278,575 | 32,686 | 9,002 | 2,331,501 |
| Unrealised loss on financial assets at fair value through profit or loss | | | | | | (34,714) |
| Realised gain on disposal of financial assets at fair value through profit and loss | | | | | | 3,615 |
| Share of profits from associates and joint venture | | | | | | 51,174 |
| Impairment loss on available for sale financial assets | | | | | | (20,855) |
| General and administrative | | | | | | (289,313) |
| Selling and marketing | | | | | | (311,513) |
| Finance income | | | | | | 120,508 |
| Finance costs | | | | | | (80,262) |
| Other income | | | | | | 14,127 |
| | | | | | | <u>1,784,268</u> |

**Notes to the consolidated financial statements
for the year ended 31 December 2009 (continued)**

38 Segment information (continued)

The segment assets and liabilities for the year then ended are as follows:

| | Hospitality AED'000 | Property development AED'000 | Land sales AED'000 | Construction AED'000 | Investment properties portfolio AED'000 | Unallocated AED'000 | Group AED'000 |
|--------------------------------------|------------------------|------------------------------------|-----------------------|-------------------------|--|------------------------|------------------|
| <u>As at 31 December 2009</u> | | | | | | | |
| Assets | 79,090 | 5,828,059 | 4,142,617 | 570,021 | 1,329,181 | 1,748,582 | 13,697,550 |
| Liabilities | 12,873 | 3,892,759 | 1,397,063 | 284,814 | 161,877 | 1,823,575 | 7,572,961 |

| | Hospitality AED'000 | Property development AED'000 | Land sales AED'000 | Construction AED'000 | Investment properties portfolio AED'000 | Unallocated AED'000 | Group AED'000 |
|--------------------------------------|------------------------|------------------------------------|-----------------------|-------------------------|--|------------------------|------------------|
| <u>As at 31 December 2008</u> | | | | | | | |
| Assets | - | 3,150,250 | 5,286,614 | 222,574 | 803,632 | 7,476,323 | 16,939,393 |
| Liabilities | - | 3,896,624 | 3,506,759 | 214,823 | 50,222 | 3,312,641 | 10,981,069 |

The Group operated only in one geographical segment, i.e., United Arab Emirates, except for the Egypt project and Morocco project which are still in the pre-development phase.

39 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 January 2010.