Deyaar Development PJSC

Consolidated financial statements
for the year ended 31 December 2013

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pwc

Independent auditor's report

To the shareholders of Deyaar Development PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Deyaar Development PJSC ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated balance sheet as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and 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 Standard and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report (continued)

To the shareholders of Deyaar Development PJSC

Report on other legal and regulatory requirements

Further, in case of the Company, as required by the UAE Federal Law No (8) of 1984, as amended, we report that:

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

(ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of the Company;

(iii) the Company has maintained proper books of account; and

(iv) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2013.

PricewaterhouseCoopers

4 February 2014

Jacques Fakhoury

Jacques E Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates

Deyaar Development PJSC

Consolidated balance sheet

	Note	At 31 December 2013 AED'000	2012 AED'000 As restated
ASSETS			
Non-current assets			
Property and equipment	5	27,106	35,550
Investment property	6	265,521	215,916
Investments in joint ventures and associates	7	959,562	1,163,148
Available-for-sale financial assets	8	25,381	20,517
Trade and other receivables	10	44,340	3,573
		1,321,910	1,438,704
Current assets			
Properties held for development and sale	9	1,670,962	1,970,278
Inventories		1,592	6,378
Due from related parties	11	2,633,673	2,635,587
Trade and other receivables	10	145,719	217,010
Cash and bank balances	12	547,825	203,655
		4,999,771	5,032,908
Total assets		6,321,681	6,471,612
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	5,778,000	5,778,000
Statutory reserve	14	194,081	178,267
Exchange translation reserve		(4,863)	(27,512)
Available for sale fair valuation reserve	8	6,046	1,182
Accumulated losses		(1,886,373)	(2,025,076)
Total equity		4,086,891	3,904,861
LIABILITIES			
Non-current liabilities			
Borrowings	15	505,161	448,842
Advances from customers	16	114,405	114,405
Retentions payable	18	6,470	25,089
Provision for employees' end of service benefits	19	7,769	8,502
		633,805	596,838
Current liabilities			
Borrowings	15	321,228	438,608
Advances from customers	16	439,534	640,459
Trade and other payables	17	772,947	801,598
Retentions payable	18	51,619	74,602
Due to related parties	11	15,657	14,646
		1,600,985	1,969,913
Total liabilities		2,234,790	2,566,751
Total equity and liabilities		6,321,681	6,471,612

These consolidated financial statements were approved by the Board of Directors on 4 February 2014 and signed on its behalf by:

Abdulla Ali Obaid Al Hamli
Chairman

Saeed Al Qatami
Chief Executive Officer

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of income

	Note	Year ended 31 December 2013 AED'000	2012 AED'000 As restated
Revenue	20	722,055	552,250
Direct costs	21	(414,598)	(353,242)
Gross profit		**307,457**	**199,008**
Other operating income	22	17,188	4,430
Gain on fair valuation of investment property	6	49,469	12,641
General and administrative	23	(119,104)	(116,255)
Gain on disposal of a subsidiary		27,679	-
Operating profit		**282,689**	**99,824**
Finance cost	25	(43,154)	(58,245)
Finance income	25	5,511	4,709
Finance cost, net		**(37,643)**	**(53,536)**
Loss on disposal of a joint venture before reclassification adjustment	7	(53,636)	-
Reclassification of cumulative exchange translation losses from other comprehensive income on disposal of a joint venture	7	(22,649)	-
Net loss on disposal of a joint venture	**7**	**(76,285)**	**-**
Share of results from joint ventures and associates	7	(14,244)	(7,683)
Profit for the year		**154,517**	**38,605**
Profit attributable to:			
Owners of the parent		154,517	38,605
Non-controlling interests		-	-
		154,517	**38,605**
Earning per share attributable to the equity holders of the Company during the year - basic and diluted	26	Fils 2.67	Fils 0.67

Consolidated statement of comprehensive income

		Year ended 31 December	
		2013	**2012**
		AED'000	**AED'000**
Profit for the year		154,517	38,605
Other comprehensive income from items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets	8	4,864	1,010
Add: Reclassification adjustments for losses included in profit or loss	7	22,649	4,770
Other comprehensive income for the year		27,513	5,780
Total comprehensive income for the year		**182,030**	**44,385**
Attributable to:			
Owners of the parent		182,030	44,385
Non-controlling interests		-	-
Total comprehensive income for the year		**182,030**	**44,385**

Consolidated statement of changes in equity

	Share capital AED'000	Statutory reserve AED'000	Exchange translation reserve AED'000	Available for sale fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
At 1 January 2012	5,778,000	172,256	(32,282)	172	(2,057,670)	3,860,476
Net profit for the year	-	-	-	-	38,605	38,605
Transfer to statutory reserve	-	6,011	-	-	(6,011)	-
Other comprehensive income	-	-	4,770	1,010	-	5,780
Balance at 31 December 2012	**5,778,000**	**178,267**	**(27,512)**	**1,182**	**(2,025,076)**	**3,904,861**
Net profit for the year	-	-	-	-	154,517	154,517
Transfer to statutory reserve	-	15,814	-	-	(15,814)	-
Other comprehensive income	-	-	22,649	4,864	-	27,513
Balance at 31 December 2013	**5,778,000**	**194,081**	**(4,863)**	**6,046**	**(1,886,373)**	**4,086,891**

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 December 2013 AED'000	2012 AED'000 As restated
Cash flows from operating activities			
Net cash generated from operating activities	27	**255,384**	**4,811**
Cash flows from investing activities			
Purchase of property and equipment		(1,213)	(460)
Proceeds from sale of property and equipment		5	378
Proceeds on reduction of investment in an associate		-	4,000
Proceeds from disposal of investment in Joint Venture		135,706	-
Additions to investment property - net of project accruals		(137)	(825)
Movement in term deposits with original maturity more than three months		-	760
Finance income received on deposits		5,669	2,772
Net cash generated from investing activities		**140,030**	**6,625**
Cash flows from financing activities			
Proceeds from borrowings including conversion of overdraft		124,586	8,462
Repayment of borrowings		(43,631)	(21,936)
Finance costs paid		(26,405)	(59,863)
Net cash generated from/(used in) financing activities		**54,550**	**(73,337)**
Increase/(decrease) in cash and cash equivalents		**449,963**	**(61,901)**
Cash and cash equivalents, beginning of the year		50,840	107,971
Exchange gain on cash and cash equivalents		22,649	4,770
Net cash transferred to a subsidiary disposed off		4,372	-
Cash and cash equivalents, end of the year	12	**527,825**	**50,840**

Notes to the consolidated financial statements for the year ended 31 December 2013

1 Legal status and activities

Deyaar Development PJSC (the "Company") was incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, UAE on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, United Arab Emirates ("UAE").

The principal activities of the Company and its subsidiaries (together, "the Group") are property investment and development, brokering, facility and property management services.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and available-for-sale financial assets.

As a result of the downturn in the real estate market, the Group's cash flows have come under pressure. The Group's success in achieving its objectives is dependent on the realisation of the cash-flow forecasts based on a number of financial and operating assumptions. The actual outcome of these forecasts is mainly reliant on the ability of the Group to successfully roll-over maturing loans.

The Board of Directors believes that these assumptions are realistic and will enable the Group to meet its obligations as they fall due and ensure the continuity of the Group's operations in the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New standards, amendments and interpretation adopted by the Group that have a material impact on the Group

- IFRS 11, 'Joint Arrangements' effective from 1 January 2013, the amendment focuses on the rights an obligations of the parties to the arrangement rather than its legal form. Joint ventures are accounted for under the equity method and proportional consolidation of joint arrangements is no longer permitted. See Note 2.1.1 for the impact of adoption on the financial statements; and
- IFRS 13, 'Fair Value Measurement' effective from 1 January 2013; the amendment aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It provides guidance on how the use of fair value accounting should be applied and where its use is already required or permitted by other standards within IFRSs.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretation effective for the financial year beginning 1 January 2013 that did not have a material impact on the Group

- IAS 1 (amendment), 'Financial statement presentation' effective on or after 1 January 2013;
- IAS 19 (amendment), 'Employee benefits' effective on or after 1 January 2013;
- IAS 27, 'Separate financial statements', effective from 1 January 2013;
- IAS 28 (amendment), 'Associates and joint ventures' effective from 1 January 2013;
- IFRS 7, 'Financial instruments: Disclosures' (amendment) effective from 1 January 2013; and
- IFRS 10, 'Consolidated Financial Statements' effective from 1 January 2013.

(c) New standards, amendments and interpretation issued but not effective for the financial year beginning 1 January 2013 and not early adopted by the Group

- IAS 27, 'Separate financial statements' (amendment), effective from (1 January 2014);
- IAS 32 (amendment), 'Financial instruments: Presentation' (amendment), (effective from 1 January 2014);
- IAS 36, 'Impairment of assets' (amendment), (effective from 1 January 2014);
- IAS 39, Financial instruments: Recognition and measurement' (amendment), (effective from 1 January 2014);
- IFRS 7, 'Financial Instruments: Disclosures' (amendment), (effective from 1 January 2015);
- IFRS 9, 'Financial instruments' (amendment), (effective from 1 January 2015);
- IFRS 10, 'Consolidated Financial Statements' (amendment), (effective from 1 January 2014); and
- IFRS 12, 'Disclosure of Interests in Other Entities' (amendment), (effective from 1 January 2014).

The above standards, amendments and interpretation are currently being assessed by management but are not expected to have a material impact on the Group's consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.1.1 IFRS 11, 'Joint Arrangements'

IFRS 11 was issued in May 2011 and supercedes IAS 31 'Interests in joint ventures' and SIC 13 'Jointly controlled entities – Non monetary contributions by venturers'.

Before 1 January 2013, the Group's interests in joint ventures were proportionately consolidated.

On 1 January 2013, the Group has applied the new policy for its interest in the joint ventures in accordance with the transition provisions of IFRS 11. The Group recognised its investment in joint ventures at the beginning of the earliest period presented (1 January 2012), as the aggregation of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investments in joint ventures for applying equity accounting.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012. There is no impact on the net assets of the periods presented.

The effects of the change in accounting policies on the consolidated balance sheet as at 1 January 2012 and 31 December 2012 and the statement of comprehensive income on 31 December 2012 are summarised below. The change in accounting policy has had no impact on earnings per share.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 IFRS 11, 'Joint Arrangements' (continued)

Restatements of the Group's assets and liabilities as at 1 January 2012 are as follows:

	As at 1 January 2012 (previously reported) AED'000	Change in accounting policy AED'000	As at 1 January 2012 (restated) AED'000
ASSETS			
Property and equipment	41,661	-	41,661
Investment property	1,219,718	(1,017,267)	202,451
Trade and other receivables	331,972	(50,144)	281,828
Investments in joint ventures and associates	277,205	892,893	1,170,098
Available-for-sale financial assets	19,507	-	19,507
Properties held for development and sale	2,146,707	-	2,146,707
Inventories	4,875	-	4,875
Due from related parties	2,412,954	119,367	2,532,321
Cash and bank balances	339,568	(63,398)	276,170
Total assets	**6,794,167**	**(118,549)**	**6,675,618**
LIABILITIES			
Borrowings	915,548	-	915,548
Retentions payable	119,516	(6,535)	112,981
Advances from customers	1,093,702	-	1,093,702
Provision for employees' end of service benefits	7,594	-	7,594
Trade and other payables	782,918	(112,049)	670,869
Due to related parties	14,413	35	14,448
Total liabilities	**2,933,691**	**(118,549)**	**2,815,142**
Total equity	**3,860,476**	**-**	**3,860,476**

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 IFRS 11, 'Joint Arrangements' (continued)

Restatements of the Group's assets and liabilities as at 31 December 2012 are as follows:

	As at 31 December 2012 (previously reported) AED'000	Change in accounting policy AED'000	As at 31 December 2012 (restated) AED'000
ASSETS			
Property and equipment	35,550	-	35,550
Investment property	1,206,077	(990,161)	215,916
Trade and other receivables	271,197	(50,614)	220,583
Investments in joint ventures and associates	273,828	889,320	1,163,148
Available-for-sale financial assets	20,517	-	20,517
Properties held for development and sale	1,970,278	-	1,970,278
Inventories	6,378	-	6,378
Due from related parties	2,516,120	119,467	2,635,587
Cash and bank balances	268,379	(64,724)	203,655
Total assets	**6,568,324**	**(96,712)**	**6,471,612**
LIABILITIES			
Borrowings	887,450	-	887,450
Retentions payable	106,266	(6,575)	99,691
Advances from customers	754,864	-	754,864
Provision for employees' end of service benefits	8,502	-	8,502
Trade and other payables	891,030	(89,432)	801,598
Due to related parties	15,351	(705)	14,646
Total liabilities	**2,663,463**	**(96,712)**	**2,566,751**
Total equity	**3,904,861**	**-**	**3,904,861**

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 IFRS 11, 'Joint Arrangements' (continued)

Restatements of the Group's statement of income for the period ended 31 December 2012 are as follows:

	Year ended 31 December 2012 (previously reported) AED'000	Change in accounting policy AED'000	Year ended 31 December 2012 (restated) AED'000
Revenue	552,250	-	552,250
Direct costs	(353,242)	-	(353,242)
Gross profit	**199,008**	**-**	**199,008**
Other operating income	4,430	-	4,430
General and administrative	(115,753)	(502)	(115,379)
Gain on valuation of investment property	6,263	6,378	12,641
Operating profit	**93,948**	**5,876**	**100,700**
Finance cost	(64,405)	6,160	(58,245)
Finance income	9,477	(4,768)	4,709
Finance cost, net	**(54,928)**	**1,392**	**(53,536)**
Share of results from joint ventures and associates	623	(8,306)	(8,559)
Profit before Income Tax	**39,643**	**(1,038)**	**38,605**
Income tax expense	(1,038)	1,038	-
Profit for the period	**38,605**	**-**	**38,605**

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Disposal of a subsidiary

On 26 December 2012, the Board of Directors of the Company decided to liquidate a wholly owned subsidiary, Omega Engineering LLC ("Omega"). Accordingly, on 29 August 2013, the Department of Economic Development issued a liquidation certificate and the Company effectively ceased control of Omega.

The revenue and results for the period ended 29 August 2013 and net assets of Omega at that date were as follows:

	29 August 2013 AED'000
	(Unaudited)
Total assets	15,536
Total liabilities	132,957
Net liabilities	117,421
Investment in Omega impaired by the Company	(10,000)
Receivables from Omega impaired by the Company, net of provisions	(79,742)
Net gain on disposal	27,679

	For the period ended 29 August 2013 AED'000
	(Unaudited)
Revenue	4,004
Loss for the period	-

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation

(b) Eliminations on consolidation

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

The Group’s share of post-acquisition profit or loss is recognised in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s consolidated financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint ventures

The Group’s interests in jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post acquisition profits or losses and movements in other comprehensive income. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group’s consolidated financial statements only to the extent of unrelated investor’s interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of income within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated statement of income within "other operating income or expense".

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
(ii) Income and expenses for each statement of income are translated at average exchange rates; and
(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to equity.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. The cost of property and equipment is its purchase cost together with any incidental costs of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial year in which they are incurred.

2 Summary of significant accounting policies (continued)

2.5 Property and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

Type of assets	**Years**
Buildings	20
Leasehold improvements	4
Furniture and fixtures	4 - 5
Office equipment	4
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are recognised within "other income or expense" in the consolidated statement of income.

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in accordance with the Group's policy.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs (see Note 2.17).

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment property under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, to reflect the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property;
- Past experience with similar constructions;
- Status of construction permits; and
- Availability of funding.

2 Summary of significant accounting policies (continued)

2.6 Investment property (continued)

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated statement of income. Investment property are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to properties held for development and sale. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land and goodwill, are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. A reversal of an impairment loss for an asset shall be recognised immediately in the consolidated statement of income. After a reversal of an impairment loss is recognised, the depreciation/amortisation charge of the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less residual value over the remaining useful life.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the categories set out below. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

2.8.1 Classification (continued)

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are classified as trade and other receivables, due from related parties, and cash and cash equivalents (Notes 10, 11 and 12) in the consolidated balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale financial assets are recognised in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired.

A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income.

2.10 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.13 Employee benefits

(a) End of service benefits to non-UAE nationals

An accrual is made for employees employed in the UAE for estimated liability for their entitlement to annual leave and leave passage as a result of services rendered up to the balance sheet date.

Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

2 Summary of significant accounting policies (continued)

2.13 Employee benefits (continued)

(b) Pension and social security policy within the U.A.E

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the consolidated statement of income, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law.

2.14 Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities. If not, they are presented as non-current liabilities.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

2.17 Borrowings costs

General and specific 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 profit or loss in the period in which they are incurred.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Sales of properties

Revenue from sales of properties is recognised in the consolidated statement of income when the risks and rewards of ownership are transferred to the buyer, which is deemed to take place when legal title passes to the buyer. The significant risks and rewards are deemed to be transferred when the title deed is registered in the name of the buyer, which in the case of properties, generally takes place only upon completion of construction and physical handover of the property. However, in certain circumstances, equitable interest in the property may vest in the buyer before the legal title passes and therefore the risks and rewards of ownership are transferred at that stage. In such cases, provided that the Group has no further substantial acts to complete in connection with the sale of the property, revenue is recognised when equitable interest in the property passes to the buyer.

(b) Forfeiture income

Forfeiture income is recognised in the consolidated statement of income when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil to the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, as per the procedures set out by the Dubai Real Estate Regulatory Authority, the customer continues to default on the contractual terms.

(c) Contract revenue for mechanical, electrical and plumbing works

A construction contract is defined by IAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2 Summary of significant accounting policies (continued)

2.19 Revenue recognition (continued)

(d) Service revenue

Revenue from services such as property management and facilities management is recognised in the accounting period in which the services are rendered.

(e) Leasing income

Leasing income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term on a straight-line basis.

(f) Interest income

Interest income is recognised in the consolidated statement of income on a time-proportion basis using the effective interest method.

(g) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

2.20 Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to operations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Currency risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED, US Dollars or other currencies, whereby the AED or other currencies are pegged to the US Dollar.

(ii) Price risk

The Group is exposed to equity securities price risk through investments held by the Group and classified as available-for-sale. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group has an insignificant interest rate risk arising from interest bearing bank deposits. Bank deposits are placed with banks offering favourable rates. The Group's interest rate risk arises from its interest bearing liabilities.

At 31 December 2013, if profit rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 8,703,000 lower/higher (2012: profit for the year would have been AED 9,015,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade receivables, due from related parties, and bank deposits. Trade receivables are made to customers with an appropriate credit history. The Group has no other significant concentrations of credit risk. Bank deposits are limited to high-credit-quality financial institutions.

The table below presents an analysis of short term bank deposits and cash and cash equivalents by rating agency designation at the end of reporting period based on Moody's ratings or its equivalent for the main banking relationships:

Counterparties with external credit rating (Moody's)	**2013 AED'000**	**2012 AED'000**
A1	24	24
A2	1,817	1,333
Ba3	275	299
Baa1	410,571	98,672
*	134,291	102,801
	546,978	**203,129**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

* Balances of AED 134,291,000 (2012: AED 102,801,000) are maintained with banks with no formal credit rating. However, management views these banks to be high-credit-quality financial institutions and does not expect these financial institutions to default.

The table above excludes cash in hand amounting to AED 846,000 (2012: AED 526,000).

(c) Liquidity risk

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year AED'000	2 to 5 years AED'000	More than 5 years AED'000
As at 31 December 2013			
Islamic finance facilities	313,490	378,540	49,542
Other borrowings	24,034	100,309	19,008
Trade and other payables	772,947	-	-
Retention payables	51,619	6,470	-
Due to related parties	15,657	-	-
	1,177,747	**485,319**	**68,550**
As at 31 December 2012			
Islamic finance facilities	321,309	421,914	65,283
Other borrowings	130,844	1,971	-
Trade and other payables	801,598	-	-
Retention payables	79,308	20,383	-
Due to related parties	15,657	-	-
	1,348,716	**444,268**	**65,283**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December were as follows:

	2013 AED'000	2012 AED'000
Total borrowings (Note 15)	826,389	887,450
Less: cash and bank balances (Note 12)	(547,825)	(203,655)
Net debt	278,564	683,795
Total equity	4,086,891	3,904,861
Total capital	4,365,455	4,588,656
Gearing ratio	6%	15%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

The following table presents the Group's assets that are measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2013				
Available-for-sale financial assets	-	-	25,381	25,381
As at 31 December 2012				
Available-for-sale financial assets	-	-	20,517	20,517

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Valuation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the consolidated statement of income. The Group engaged independent valuation specialists to determine the fair values of investment property as at 31 December 2013.

(b) Recoverability of investment in a joint venture

Recoverability of investment in a joint venture is an area involving significant management judgement, requiring assessment as to whether the carrying value of assets can be supported by the fair value of investment property and property held for development and sale in the joint venture.

For investment property under construction, management used a valuation technique based on a discounted cash flow model, as there is a lack of comparable market data because of the nature of the properties. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the impairment reviews. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- The discount rate of 10.6% based on the Group’s weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate of 3.3% based on a conservative view of the long-term rate of growth.

For property held for development and sale in the joint venture management assesses the impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related asset.

5 Property and equipment

	Land and buildings AED'000	Leasehold improvements AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost						
At 1 January 2012	37,098	381	7,311	25,549	2,292	72,631
Additions	237	-	35	188	-	460
Disposals	-	-	(1,009)	(989)	(1,614)	(3,612)
At 31 December 2012	37,355	381	6,337	24,748	678	69,479
Additions	3,347	-	157	523	-	4,027
Adjustments	(694)	760	3,252	2,616	1,352	7,286
Disposals	-	-	(60)	(43)	-	(103)
Disposal of a subsidiary	(10,887)	(427)	(2,656)	(8,133)	(1,237)	(23,340)
At 31 December 2013	29,101	714	7,030	19,711	793	57,349
Depreciation						
At 1 January 2012	3,073	381	6,670	18,908	1,938	30,970
Charge for the year	1,961	-	533	3,628	277	6,399
Disposals	-	-	(891)	(980)	(1,569)	(3,440)
At 31 December 2012	5,034	381	6,312	21,556	646	33,929
Charge for the year	1,607	-	61	1,761	50	3,479
Adjustments	(506)	656	3,243	2,559	1,334	7,286
Disposals	-	-	(59)	(41)	-	(100)
Disposal of a subsidiary	(2,246)	(427)	(2,655)	(7,786)	(1,237)	(14,351)
At 31 December 2013	3,889	610	6,902	18,049	793	30,243
Net book amount - 31 December 2012	**32,301**	**-**	**25**	**3,192**	**32**	**35,550**
Net book amount - 31 December 2013	**25,212**	**104**	**128**	**1,662**	**-**	**27,106**

Buildings with a carrying value of AED 21,946,464 (2012: AED 24,528,000) are mortgaged under Islamic finance obligations (Note 15).

Depreciation charge amounting to AED 3,479 (2012: AED 5,933) and AED Nil (2012: AED 466) is included under general and administrative expenses (Note 23) and direct costs, respectively.

6 Investment property

	UAE Office and retail AED'000	UAE Land AED'000	USA Land AED'000	2013 Total AED'000	2012 Total AED'000
Fair value hierarchy	**3**	**2**	**2**		
Fair value at 1 January	56,698	63,720	95,498	215,916	202,450
Additions	136	-	-	136	825
Net gain from fair value adjustments on investment property	11,730	28,316	9,423	49,469	12,641
Fair value at 31 December	68,564	92,036	104,921	265,521	215,916

Investment property is recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

At 31 December 2013, the Group did not have any non performing contractual obligations for future repairs and maintenance.

Direct operating expenses recognised in the consolidated income statement include AED 146,000 (2012: AED 763,000) and rental income recognised in consolidated income statement include AED 4,770,000 (2012: AED 4,332,000) from investment property.

Bank borrowings are secured on investment property to the value of AED 158,500,000 (2012: AED 158,500,000) (Note 15).

Valuation processes

The Group's investment properties were valued at 31 December 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO the valuation team and the independent valuers at least once every six months.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

6 Investment property (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

					Sensitivity of management estimates	
Country	**Segment**	**Valuation**	**Estimate**	**Range of inputs**	**Impact lower AED'000**	**Impact higher AED'000**
UAE	Office and retail	Income capitalisation	Estimated rental value	AED 70 to AED 140 per sqft per annum	(704)	667
			Capitalisation rate	8%	9,774	(7,634)

Valuation techniques underlying management's estimation of fair value:

For offices and retail in the UAE, the valuation was determined using the income capitalisation method based on following significant unobservable inputs:

Estimated rental value (per sqft p.a.)	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Capitalisation rate	reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

For plots of land in the UAE and the USA, the valuation was determined using the sales comparison approach. Properties valued using the sales comparison approach take into account comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

7 Investments in joint ventures and associates

	Joint Ventures		Associates		Total	
	2013 AED'000	**2012 AED'000**	**2013 AED'000**	**2012 AED'000**	**2013 AED'000**	**2012 AED'000**
At 1 January	889,320	892,893	273,828	277,205	1,163,148	1,170,098
Share of profit/(loss)	(15,078)	(8,306)	834	623	(14,244)	(7,683)
Share of other comprehensive income	-	4,733	-	-	-	4,733
Capital reduction	-	-	-	(4,000)	-	(4,000)
Disposal of investment	(189,342)	-	-	-	(189,342)	-
At 31 December	684,900	889,320	274,662	273,828	959,562	1,163,148

Investment in associates

The Group has a 22.72% interest in Solidere International Al Zorah Equity Investments Inc ("Al Zorah"), a company registered in the Cayman Islands. The associate is a holding company investing in companies engaged in property development.

The Group has a 40% interest in Landmark Properties LLC ("Landmark Properties"), a company registered in the United Arab Emirates which is involved in real estate brokerage.

7 Investments in joint ventures and associates (continued)

***Investment in associates** (continued)*

Summarised financial information relating to the Group's share of its associates is as follows:

Name	% interest held	Assets AED'000	Liabilities AED'000	Revenue AED'000	Net profit/(loss) AED'000
31 December 2013					
Al Zorah	22.72	256,201	(50,549)	1,958	952
Landmark properties	40	198	(181)	-	(118)
		256,339	(50,730)	1,958	834
31 December 2012					
Al Zorah	22.72	255,469	(50,398)	2,596	1,400
Landmark properties*	40	698	(287)	660	(777)
		256,167	(50,685)	3,256	623

* During 2013, the Group's share in the associate's accumulated losses exceeded the carrying value of the investment and hence no further losses were recognised.

The Group's share of its associates' commitments amounts to AED 7,429,000 (2012: AED 11,986,000).

Investment in joint ventures

The Group has a 50% interest in the following joint ventures, which are engaged in property development. The following amounts represent the Group's 50% share of the assets, liabilities, revenue and results of the joint ventures. They also include consolidation adjustments made at the Group's level to ensure uniform accounting policies. They are included in the consolidated balance sheet and statement of income of the Group:

Name	% interest held	Country of incorporation	Non-current assets AED'000	Current Assets AED'000	Non-current liabilities AED'000	Current liabilities AED'000	Net profit / (loss) AED'000
31 December 2013							
Arady Development LLC	50	U.A.E	366,097	577,108	3,503	187,220	(15,078)
Dubai International Development Co. LLC (*)	50	U.A.E	-	150	-	-	-
			366,097	577,258	3,503	187,220	(15,078)

7 Investments in joint ventures and associates (continued)

Investment in joint ventures *(continued)*

Name	% interest held	Country of incorporation	Non-current assets AED'000	Current Assets AED'000	Non-current liabilities AED'000	Current liabilities AED'000	Net profit / (loss) AED'000
31 December 2012							
Arady Development LLC	50	U.A.E	878,111	35,288	6,575	509,317	(1,528)
Alarko Gayrimenkul Geliştirme Anonim ("Alarko Deyaar")	50	Turkey	13,386	79,489	-	1,590	(6,778)
Dubai International Development Co. LLC (*)	50	U.A.E	-	150	-	-	-
			891,497	114,927	6,575	510,907	(8,306)

The Group's proportionate share in joint ventures commitments is AED 289,617,000 (2012: AED 292,659,000).

(*) This joint venture did not commence its commercial activities..

On 3 October 2013, the Company signed share sale and purchase agreement to exit from its joint venture, Alarko Deyaar, by selling its share to the other joint venture partner. Accordingly, on 31 December 2013, the Company sold its 50% interest in Alarko Deyaar following the approval of the Group's management and Board of Directors.

The net assets of Alarko Deyaar at 31 December 2013 and net loss on disposal was as follows:

	31 December 2013 AED'000
Total assets	378,689
Total liabilities	(5)
Net assets	378,684
50% share of net assets	189,342
Sale consideration	135,706
Loss on disposal before reclassification adjustment	(53,636)
Reclassification of cumulative exchange translation losses from other comprehensive income on disposal of a joint venture	(22,649)
Net loss on disposal	(76,285)

8 Available-for-sale financial assets

	2013 AED'000	2012 AED'000
1 January	20,517	19,507
Change in fair value	4,864	1,010
31 December	25,381	20,517

The fair valuation gain of AED 4,864,000 (2012: AED 1,010,000) was recorded in the consolidated statement of comprehensive income.

9 Properties held for development and sale

	Properties held for sale AED'000	Properties under construction AED'000	Land held for future development AED'000	Total AED'000
1 January 2012	669,299	1,237,408	240,000	2,146,707
Additions	-	145,544	-	145,544
Provision for impairment (Note 21)	(145,173)	-	-	(145,173)
Reversal of impairment (Note 21)	46,344	31,660	-	78,004
Capitalised borrowing costs (Note 25)	-	1,619	-	1,619
Transfers	482,165	(482,165)	-	-
Sales (Note 21)	(256,423)	-	-	(256,423)
31 December 2012	796,212	934,066	240,000	1,970,278
Additions	-	94,513	4,396	98,909
Provision for impairment (Note 21)	(56,866)	(14,050)	-	(70,916)
Reversal of impairment (Note 21)	175,150	347	-	175,497
Capitalised borrowing costs (Note 25)	-	398	-	398
Transfers	754,117	(754,117)	-	-
Sales (Note 21)	(503,204)	-	-	(503,204)
31 December 2013	1,165,409	261,157	244,396	1,670,962

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of impairment amounting to AED 104,581,000 (2012: net impairment of AED 67,169,000), charged to the consolidated statement of income under "direct costs" (Note 21).

Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers. For units not yet booked by customers, net realisable value takes into consideration the current market.

A building and a plot of a land with a total carrying value of AED 282,997,000 (2012: AED 277,995,000) are mortgaged under Islamic finance obligations (Note 15).

10 Trade and other receivables

	2013 AED'000	2012 AED'000
Trade receivables	209,828	205,404
Less: provision for impairment of trade receivables	(125,047)	(151,339)
	84,781	54,065
Retention receivables	-	19,129
Less: provision for impairment of retention receivables	-	(7,875)
	-	11,254
Advance for purchase of property	187,510	187,510
Less: provision for impairment of other receivables	(187,510)	(187,510)
Receivable on cancelled purchase agreement	53,592	117,900
Advances to contractors	1,701	9,516
Advances to suppliers	33,910	20,371
Prepayments and other receivables	6,512	3,202
Other debtors	9,563	4,275
	105,278	155,264
	190,059	220,583
Less: current portion	(145,719)	(217,010)
Non-current portion	44,340	3,573

Amounts due from customers for contract works are analysed as follows:

Contract costs incurred and recognised profits	-	129,914
Less: progress billings	-	(124,247)
	-	(5,667)
Analysed as:		
Amounts due to customers for contract works (Note 17)	-	(5,667)
Amounts due from customers for contract works	-	-

As at 31 December 2013, trade receivables of AED 57,241,000 (2012: AED 39,269,000) were fully performing.

As at 31 December 2013, trade receivables of AED 27,540,000 (2012: AED 14,796,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 AED'000	2012 AED'000
Up to 3 months	7,666	3,150
Over 3 months	19,874	11,646
	27,540	14,796

As at 31 December 2013, trade receivables of AED 125,047,000 (2012: AED 151,339,000) were impaired and fully provided for. The individually impaired receivables mainly relate to customers who are in difficult economic situations. The ageing analysis of these trade receivables is as follows:

10 Trade and other receivables (continued)

	2013 AED'000	2012 AED'000
Over 6 months	125,047	151,339

Movements on the Group's provision for impairment of trade receivables are as follows:

	2013 AED'000	2012 AED'000
At 1 January	151,339	150,803
Provision for impairment of trade receivables (Note 23)	2,716	3,163
Receivables written off during the year as uncollectable	(2,716)	(2,726)
Reversal of provision on disposal of a subsidiary	(26,192)	-
At 31 December	125,047	151,339

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold or post dated cheques as security.

11 Transactions and balances with related parties

Related parties include the significant shareholders, key management personnel, associates, joint ventures, directors and businesses which are controlled directly or indirectly by the significant shareholders or directors or over which they exercise significant management influence.

(a) Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Group's management.

	2013 AED'000	2012 AED'000
A significant shareholder		
Other operating income/finance income	183	1,547

(b) Remuneration of key management personnel

Compensation to key management personnel		
Salaries and other short term employee benefits	23,390	22,868
Termination and post employment benefits	556	942
Directors' fees	870	653
	24,816	24,463

(c) Due from related parties comprises

	2013 AED'000	2012 AED'000
Current		
Due from joint ventures	136,326	138,322
Due from other related parties	2,497,347	2,497,265
	2,633,673	2,635,587

11 Transactions and balances with related parties (continued)

(c) Due from related parties comprises (continued)

Cash and bank balances include a fixed deposit amount of AED 135,000,000 (31 December 2012: AED 40,000,000) deposited with Dubai Islamic Bank, a significant shareholder of the Company.

At 31 December 2013, the Group had bank borrowings from Dubai Islamic Bank of AED 337,806,000 (2012: AED 377,739,000).

In 2010, the Group entered into a sale and purchase agreement with a related party to sell properties with a carrying value of AED 1,337,846,000 and rights to purchase plots amounting to AED 899,589,000.

The salient terms of and conditions of the transaction were as follows:

i. The sale consideration is receivable on or before 1 June 2016;
ii. The sale consideration can be settled in cash or kind or a combination of both, at the discretion of the purchaser. Where settlement is in kind, the fair value of the assets transferred will be determined by an independent valuation expert, to be selected by the seller and purchaser; and
iii. The commitment on the remaining purchase price of the land held for development remains with the Group.

Following the amendments to the original agreement, the sale consideration was reduced by AED 730 million, as a result of the purchaser's commitment to settle this balance on demand, in cash or in kind, or a combination of both.

Subsequent to the year-end, the Group is in discussion with the related party to purchase certain plots at an estimated price of AED 361 million, as a partial settlement of the outstanding receivable. Management's expectation is that the balance receivable will be settled during the year 2014.

(c) Due to related parties comprises:

	2013 AED'000	**2012 AED'000**
Current		
Due to a significant shareholder	1,605	2,347
Due to joint ventures	14,052	12,299
	15,657	14,646

12 Cash and bank balances

	2013 AED'000	**2012 AED'000**
Cash and bank balances including call deposits	280,841	60,443
Short-term fixed deposits	266,138	142,686
Cash on hand	846	526
	547,825	203,655

12 Cash and bank balances (continued)

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2013 AED'000	2012 AED'000
Cash and bank balances	547,825	203,655
Less: bank overdraft	-	(132,815)
Less: deposits with original maturity more than three months	(20,000)	(20,000)
Cash and cash equivalents	527,825	50,840

Short-term fixed deposits have original maturities of three months or less. Short-term fixed and call deposits bear interest ranging from 0.55% to 1.75% per annum (2012: 0.20% to 3.125% per annum).

13 Share capital

At 31 December 2013 and 31 December 2012, share capital comprised of 5,778,000,000 shares of AED 1 each. All shares are authorised, issued and fully paid up.

14 Legal reserve

In accordance with the UAE Commercial Companies Law of 1984 (as amended) and the Company's Articles of Association, 10% of the profit for the year is transferred to a statutory reserve, which is not 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.

15 Borrowings

	2013 AED'000	2012 AED'000
Non-current		
Islamic finance obligations	399,587	446,871
Other Islamic borrowings	105,574	1,971
	505,161	448,842
Current		
Islamic finance obligations	302,283	302,283
Other Islamic borrowings	18,945	136,325
	321,228	438,608
Total borrowings	826,389	887,450

	Islamic finance obligations AED'000	Other Islamic Borrowings AED'000	Total AED'000
1 January 2012	764,167	151,381	915,548
Additions	-	8,462	8,462
Transfers	19,978	(19,978)	-
Repayments	(34,991)	(1,569)	(36,560)
31 December 2012	749,154	138,296	887,450
Additions		-	-
Disposal of Subsidiary	-	(9,200)	(9,200)
Repayments	(47,284)	(4,577)	(51,861)
31 December 2013	701,870	124,519	826,389

15 Borrowings (continued)

The Islamic finance obligations represent Ijarah, Murabaha and Mudarabah facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks and financial institutions. The facilities are used to finance the properties under construction. The Islamic finance obligations carry an effective profit rate of 1 month EIBOR + 3%, with a minimum of 5%, to 6.25% per annum (2012: 1 month EIBOR + 3%, with a minimum of 5% to 6.25% per annum), and are repayable in equal monthly or quarterly instalments over a period of five to ten years from the balance sheet date. The Islamic finance obligations are secured by mortgages over properties classified under property held for development and sale (Note 9), property and equipment (Note 5) and investment property (Note 6).

The Islamic finance obligations also include term loan facility amounting to AED 124,519,000 (2012: AED 129,095,000) with a local Islamic bank and carries an effective profit rate based on 3 months EIBOR + 4.5%, with a minimum of 9.5% (2012: 3 months EIBOR + 4.5%, with a minimum of 9.5%). During the year, the Group has signed a restructuring agreement with the bank (subject to certain conditions), whereby this loan has been restructured into a loan repayable over a six-year period, with a revised profit rate of 3 months EIBOR + 3%, with a minimum of 5.5%. The revised profit rate is effective from 1 March 2012.

The borrowings include an amount of AED 337,806,000 (2012: AED 377,739,000) obtained from the significant shareholder.

16 Advances from customers

Advances from customers represent instalments received from customers towards purchases of properties held for development and sale of AED 553,939,000 (2012: AED 754,618,000) and towards customer contracts of AED Nil (2012: AED 246,000).

17 Trade and other payables

	2013 AED'000	2012 AED'000
Trade payables	43,472	112,184
Payables for purchase of land	396,888	396,888
Accrued Islamic facilities charges	81,628	64,444
Project cost accruals	51,559	57,271
Amounts due to customers for contract works	-	5,667
Tax payable	4,152	4,152
Other payables and accrued expenses	195,248	160,992
	772,947	801,598

18 Retentions payable

	2013 AED'000	2012 AED'000
Non-current portion	6,470	25,089
Current portion	51,619	74,602
Retentions payable	58,089	99,691

Non-current retentions are due to be paid to contractors within 1 to 5 years from the balance sheet date. The fair value of non-current retentions payable approximate to their carrying amounts as the impact of discounting is not significant.

19 Provision for employees' end of service benefits

	2013 AED'000	2012 AED'000
At 1 January	8,502	7,594
Charge for the year (Note 24)	1,845	2,476
Payments	(1,316)	(1,568)
Liability transferred on disposal of a subsidiary	(1,262)	-
At 31 December	7,769	8,502

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2013 and 2012, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE labour law. Under this method an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in line with the Group's salary scales, past experience and market conditions. Management has assumed average increment/promotion costs of 5% (2012: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.48% (2012: 4.5%).

	2013 AED'000	2012 AED'000

20 Revenue

Sale of properties	513,390	264,736
Forfeiture income	110,947	193,958
Property management	34,726	29,931
Leasing income	30,697	21,818
Facilities management	28,291	24,500
Contract revenue	4,004	16,774
Others	-	533
	722,055	552,250

21 Direct costs

Cost of properties sold (Note 9)	503,204	256,423
(Reversal of)/provision for impairment of properties held for development and sale, net (Note 9)	(104,581)	67,169
Facilities management	9,954	12,913
Contract costs	1,993	10,613
Leasing cost	4,028	4,588
Others	-	1,536
	414,598	353,242

22 Other operating income

Consolidation fees	-	114
Other operating income	17,188	4,316
	17,188	4,430

	2013	2012

	AED'000	AED'000

23 General and administrative expenses

Staff costs (Note 24)	64,897	58,234
Association fees	11,458	11,909
Legal and professional charges	8,308	9,202
Marketing and selling expenses	5,891	2,921
Communication expenses	3,570	2,961
Depreciation (Note 5)	3,479	5,933
Project maintenance cost	3,150	486
Provision for impairment of trade and other receivables, net (Note 10)	2,716	9,221
Rent	1,090	1,604
Write-off of trade receivable	-	2,627
Others	14,545	11,157
	119,104	116,255

24 Staff costs

Salaries and wages	45,958	45,565
End of service benefits (Note 19)	1,845	2,476
Other benefits	17,094	10,193
	64,897	58,234

25 Finance (cost)/income

Finance cost on bank borrowings	43,552	59,864
Less: amounts capitalised on qualifying assets (Notes 9)	(398)	(1,619)
Total finance cost	43,154	58,245
Finance income on short-term bank deposits	3,751	2,772
Finance income on unwinding of discounted trade receivables	1,760	1,937
Total finance income	5,511	4,709
Net finance (cost)/income	(37,643)	(53,536)

26 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (Note 13).

	2013	2012
Profit attributable to equity holders of the Company (AED'000)	154,517	38,605
Weighted average number of ordinary shares in issue (thousands)	5,778,000	5,778,000
Earnings per share (fils)	2.67	0.67

Diluted

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

27 Cash flow from operating activities

	2013 AED'000	2012 AED'000
Profit for the year	154,517	38,605
Adjustment for		
Depreciation (Note 5)	3,479	6,399
Provision for employees' end of service benefits (Note 19)	1,845	2,476
Provision for doubtful debts (Note 23)	2,716	9,221
(Reversal of)/provision for impairment of properties held for development and sale, net (Note 21)	(104,581)	67,169
Gain on disposal of a subsidiary	(27,679)	-
Finance income (Note 25)	(5,511)	(4,709)
Finance costs (Note 25)	43,154	58,245
Share of results from associates and joint ventures (Note 7)	14,244	7,683
Gain on fair valuation of investment property (Note 6)	(49,469)	(12,641)
Loss on disposal of investment in joint venture (Note 7)	76,285	-
Gain on disposal of property and equipment	(2)	(206)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	108,998	172,242
Payment of employees' end of service benefits (Note 19)	(1,316)	(1,568)
Increase in non-current trade and other receivables	(40,767)	(3,573)
Decrease in non-current retentions payable	(18,619)	(29,592)
Decrease in non-current advances from customers	-	(83,562)
Changes in working capital:		
Properties held for development and sale net of project cost accruals	400,586	110,878
Trade and other receivables	49,655	54,720
Inventories	(1,592)	(1,503)
Due from related parties	2,514	(101,329)
Retentions payable	(22,983)	16,302
Advances from customers	(200,925)	(255,276)
Trade and other payables	(21,178)	126,873
Due to related parties	1,011	199
Net cash generated from operating activities	255,384	4,811

28 Commitments

At 31 December 2013, the Group had total commitments of AED 13,417,000 (31 December 2012: AED 103,909,000) with respect to project related contracts issued net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 419,639,000 (31 December 2012: AED 419,639,000).

29 Contingent liabilities

At 31 December 2013, the Group had contingent liabilities in respect of performance and other guarantees issued by a bank on behalf of a joint venture and Omega, in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to AED 84,539,000 (31 December 2012: AED 27,227,000).

29 Contingent liabilities (continued)

The Company is a party to litigation where the Counter Party is seeking judgement against a third entity and/or the Company for principal amount, interest and delay penalties related to a facility to finance the purchase of a share in a real estate project. Management is of the view that neither a purchase agreement nor a financing agreement were reached or entered into by the Company, and that only the third entity as the sole debtor under the financing documentation shall be held liable. Therefore, the Company took the position that it should not be liable for the claimed amount, and that the Company is entitled to full refund of the monies paid under a memorandum of understanding that expired before reaching any agreement. The same was submitted to court as the Company's counter-claim. After taking appropriate legal advice, the financial impact, if any, from the outcome of the litigation cannot be assessed reliably before the judgement, which is expected to be issued during the first quarter of 2014. Therefore, no provision has been recognised as at 31 December 2013.

30 Segment information

Operating segment

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the Group as a whole for the purpose of decision making.

Management has determined the operating segments based on for the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: Property development, electrical and mechanical works, and properties and facilities management.

Management monitors the operating results of its operating segments for the purpose of making strategic decisions about performance assessment. Segment performance is evaluated based on operating profit or loss.

	Property development activities AED'000	Electrical and mechanical works AED'000	Property and facilities management AED'000	Total AED'000
31 December 2013				
Segment revenues – external	655,034	4,004	63,017	722,055
Segment profit/(loss)	130,513	-	24,004	154,517
Segment assets	6,231,309	-	90,372	6,321,681
31 December 2012				
Segment revenues – external	481,045	16,774	54,431	552,250
Segment profit/(loss)	30,890	(9,501)	17,216	38,605
Segment assets	6,375,099	37,643	58,870	6,471,612

Geographic information

Revenue earned from properties outside the United Arab Emirates amounts to AED Nil (2012: AED Nil). Total assets located outside the United Arab Emirates amount to AED 108,221,000 (31 December 2012: AED 99,830,000).

31 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2013	Loans and receivables AED'000	Available-for-sale AED'000	Total AED'000
Assets as per the balance sheet			
Available-for-sale financial assets	-	25,381	25,381
Trade and other receivables excluding prepayments, advances to contractors and suppliers	147,936	-	147,936
Due from related parties	2,273,053	-	2,273,053
Cash and bank balances	547,825	-	547825
	2,968,814	25,381	2,994,195

	Amortised Cost AED'000	Total AED'000
Liabilities as per the balance sheet		
Trade and other payables	772,947	772,947
Retentions payable	58,089	58,089
Borrowings	826,389	826,389
Due to related parties	15,657	15,657
	1,673,082	1,673,082

31 December 2012	Loans and receivables AED'000	Available-for-sale AED'000	Total AED'000
Assets as per the balance sheet			
Available-for-sale financial assets	-	20,517	20,517
Trade and other receivables excluding prepayments, advances to contractors and suppliers	187,494	-	187,494
Due from related parties	2,635,587	-	2,635,587
Cash and bank balances	203,655	-	203,655
	3,026,736	20,517	3,047,253

	Amortised cost AED'000	Total AED'000
Liabilities as per the balance sheet		
Trade and other payables	801,598	801,598
Retentions payable	99,691	99,691
Borrowings	887,450	887,450
Due to related parties	14,646	14,646
	1,803,385	1,803,385