

Dubai Investments PJSC
and its subsidiaries

Consolidated financial statements
31 December 2010

Dubai Investments PJSC and its subsidiaries

Consolidated financial statements

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Directors' Report

The Board of Directors ("the Board") of Dubai Investments PJSC ("the Company") are pleased to present their report along with the audited financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2010.

Financial Results:

The Group has reported a net profit attributable to the shareholders of the Company, of AED 805 million for the year ended 31 December 2010 as compared to AED 972 million in the previous year, representing a decline of 17%. The primary reason for the decline in profits is the general slowdown in the local economy which is yet to recover from the real estate crisis.

Total assets of the Group stands at AED 14.13 billion as of 31 December 2010 (2009: AED 13.82 billion - restated).

The Directors also propose the following appropriations:

	<u>AED'000</u>
a) Transfer to legal reserve	29,676
b) Transfer to general reserve	29,676
c) Proposed dividend	214,224
d) Directors' fees	5,000

Proposed Dividend:

The Directors propose a cash dividend of 6 % to the shareholders of the Company.

Outlook 2011:

The Group will continue to strengthen its industrial and manufacturing units and focus on projects yielding new revenue streams. There has been a gradual improvement in liquidity in the banking sector which will aid the Group's expansion plans and help in sustaining the delivery of consistent results.

Whilst the political unrest in the MENA region is a matter of concern and might impact growth in 2011, the Group is confident of achieving its objective of continuous value addition to its shareholders.

Directors' Report (continued)

Directors:

The Board of Directors comprise:

- Mr. Suhail Bin Fares Al Mazroui Chairman
- Mr. Hussain Sultan Vice Chairman
- Mr. Ali Fardan Al Fardan
- Mr. Mohammed Saif Al Ketbi
- Mr. Khalid J. Kalban

Auditors:

KPMG were appointed the auditors of Dubai Investments PJSC for the year ended 31 December 2010. Proposals from reputed audit firms were obtained and evaluated in detail by the Directors for pricing as well as level of service for audit of Group for the year ending 31 December 2011. Based on the evaluation, Directors propose to re-appoint KPMG as auditors for the year ending 31 December 2011. KPMG are eligible for re-appointment and have expressed their willingness to continue in office.

Acknowledgements:

The Board of Directors would like to express their gratitude and appreciation to all its shareholders, clients and business partners whose continued support has been a source of great strength and encouragement.

The Board of Directors would also like to place on record their commendation of the efforts of the Group management and their staff for their loyalty, perseverance and hard work that has been put by them for the benefit of the Company and its shareholders.

On behalf of the Board



Suhail Bin Fares Al Mazroui

Chairman

Dated: 20 March 2011



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Independent auditors' report

The Shareholders
Dubai Investments PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Investments PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

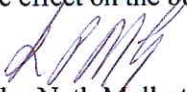
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2010, which may have had a material adverse effect on the business of the Company or its financial position.


Vijendra Nath Malhotra
Registration No: 48 B
Date: 20 March 2011

Dubai Investments PJSC and its subsidiaries

Consolidated income statement for the year ended 31 December 2010

	<i>Note</i>	2010 AED'000	2009 AED'000
Sale of goods and services		1,268,221	1,164,577
Contract revenue		837,131	866,072
Sale of properties (including development properties)		195,833	348,460
Rental income		477,353	560,549
Gain on fair valuation of investment properties	12	618,898	709,459
Gain on fair valuation of investments		2,243	41,387
Gain on sale of investments - (net)		40,296	38,363
Dividend income		16,952	17,308
Total income		3,456,927	3,746,175
Direct operating costs	6	(2,026,382)	(2,158,731)
Administrative and general expenses	7	(509,932)	(537,845)
Finance expenses	8	(172,221)	(234,842)
Finance income	8	37,528	70,976
Share of profit from associates		1,007	319
Other income	9	58,890	148,501
Profit for the year		845,817	1,034,553
Profit attributable to:			
Owners of the Company		804,965	972,471
Non-controlling interests		40,852	62,082
Profit for the year		845,817	1,034,553
Earnings per share			
Basic earnings per share (AED)	31	0.23	0.27

The notes set out on pages 10 to 58 form part of these consolidated financial statements.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of comprehensive income for the year ended 31 December 2010

	2010 AED'000	2009 AED'000
Profit for the year	845,817	1,034,553
Other comprehensive income:		
Net change in fair value of available for sale investments	(2,144)	42,301
Net change in fair value of available for sale investments transferred to income statement on disposal	(20,012)	(3,634)
Net change in fair value of investments at fair value through other comprehensive income (OCI) (refer notes 2 and 14)	(45,000)	-
Total other comprehensive income for the year	(67,156)	38,667
Total comprehensive income for the year	778,661	1,073,220
Attributable to:		
Owners of the Company	737,809	1,011,138
Non-controlling interests	40,852	62,082
Total comprehensive income for the year	778,661	1,073,220

The notes set out on pages 10 to 58 form part of these consolidated financial statements.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of financial position

	Note	31 December 2010 AED'000	31 December 2009 AED'000 Restated*	1 January 2009 AED'000 Restated*
Assets				
Non-current assets				
Property, plant and equipment and biological assets	10	2,741,711	2,676,198	2,355,714
Intangible assets including goodwill	11	214,488	213,752	196,456
Investment properties	12	3,571,315	2,860,359	1,720,787
Development properties	13	175,112	272,563	435,526
Investments at fair value through other comprehensive income	14	546,880	-	-
Investments in associates	15	2,576	10,047	9,760
Long term rent receivable	16	136,554	159,520	174,570
Long term finance lease receivable	17	25,766	201,238	329,871
Inventories	18	1,597,273	1,650,617	2,263,739
Trade receivables	19	277,712	213,925	-
Other receivables	20	61,965	56,854	80,455
Total non-current assets		9,351,352	8,315,073	7,566,878
Current assets				
Inventories	18	1,087,665	1,031,106	1,217,330
Investments at fair value through profit or loss	14	1,211,653	919,410	662,337
Available for sale investments	14	-	992,868	953,806
Trade receivables	19	1,176,137	1,040,234	995,275
Other receivables	20	905,848	899,483	681,146
Cash at bank and in hand	21	399,217	622,796	1,395,016
Total current assets		4,780,520	5,505,897	5,904,910
Total assets		14,131,872	13,820,970	13,471,788
Equity				
Share capital	25	3,570,395	3,570,395	3,245,814
Share premium	25	46	46	46
Legal reserve	27	492,700	457,509	415,344
Capital reserve	26	25,502	25,502	25,502
General reserve	27	810,564	687,695	557,138
Revaluation reserve	28	67,000	67,000	67,000
Fair value reserve	29	(45,000)	16,995	(21,672)
Proposed dividend	25	214,224	214,224	324,581
Proposed directors' fees	30	5,000	5,000	9,000
Retained earnings		3,310,500	2,887,980	2,632,036
Equity attributable to owners of the Company		8,450,931	7,932,346	7,254,789
Non-controlling interests		736,492	708,131	690,153
Total equity		9,187,423	8,640,477	7,944,942
Liabilities				
Non-current liabilities				
Long-term borrowings and payables	22	1,395,352	1,549,943	1,834,644
Total non-current liabilities		1,395,352	1,549,943	1,834,644
Current liabilities				
Bank borrowings	23	1,733,235	1,707,055	1,607,786
Trade and other payables	24	1,815,862	1,923,495	2,084,416
Total current liabilities		3,549,097	3,630,550	3,692,202
Total liabilities		4,944,449	5,180,493	5,526,846
Total equity and liabilities		14,131,872	13,820,970	13,471,788

* See change in accounting policies - note 2.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 20 March 2011.

The notes set out on pages 10 to 58 form part of these consolidated financial statements.

Suhail Bin Fares Al Mazrui
Chairman

Ali Fardan Al Eardan
Director

Khalid Jassim Kalban
MD & CEO

Dubai Investments PJSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December

	2010 AED'000	2009 AED'000
Cash flows from operating activities		
Profit for the year	845,817	1,034,553
<i>Adjustments for:</i>		
Depreciation	135,057	115,964
Impairment loss on property, plant and equipment	-	50,484
Amortization / impairment losses of intangible assets (net)	3,178	5,871
Loss/(gain) on disposal/write-off of property, plant and equipment	3,255	(638)
Gain on fair valuation of investment properties	(618,898)	(709,459)
Share of profit from investment in associates	(1,007)	(319)
Gain on fair valuation of investments	(2,243)	(41,387)
Gain on sale of investments - net	(40,296)	(38,363)
Provision for write down of inventories to its net realizable value	105,600	203,017
Gain on business combinations	(6,022)	-
Operating profit before changes in working capital	424,441	619,723
Changes in:		
- investments at fair value through profit or loss, available for sale investments, and at fair value through OCI	129,128	(200,153)
- trade and other receivables	58,268	(425,452)
- inventories	(98,945)	596,329
- trade and other payables	(133,955)	(161,590)
Net cash from operating activities	378,937	428,857
Cash flows from investing activities		
Purchase consideration paid for acquisition of interest/additional investment in subsidiaries/associates (net of cash acquired)	(3,250)	-
Proceeds from disposal of a subsidiary	-	26,479
Net movement in investment and development properties	11,393	(343,395)
Acquisition of property, plant and equipment	(193,674)	(496,179)
Proceeds from disposal of property, plant and equipment	11,417	39,763
Net additions to intangible assets	(1,489)	(23,167)
Net movement in investment in associates	(988)	(163)
Net movement in deposits under lien	4,982	(1,478)
Net cash used in investing activities	(171,609)	(798,140)
Cash flows from financing activities		
Net movement in bank borrowings and payables	(94,563)	70,765
Net movement in non-controlling interests	(32,683)	(44,104)
Dividend paid	(214,224)	(324,581)
Director fees paid	(5,000)	(9,000)
Net cash used in financing activities	(346,470)	(306,920)
Net decrease in cash and cash equivalents	(139,142)	(676,203)
Cash and cash equivalents at 1 January	(71,615)	604,588
Cash and cash equivalents at 31 December	(210,757)	(71,615)
<i>Cash and cash equivalents comprise following:</i>		
Cash in hand, current and call account with banks	175,458	142,276
Short term deposits with banks (excluding those under lien)	192,223	444,000
Bank overdraft, trust receipt loans and bills discounted	(578,438)	(657,891)
	(210,757)	(71,615)

The notes set out on pages 10 to 58 form part of these consolidated financial statements.

Dubai Investments PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Attributable to owners of the Company												AED'000
	Share capital	Share premium	Legal reserve	Capital reserve	General reserve	Revaluation reserve	Fair value reserve	Proposed dividend	Proposed directors' fees	Retained earnings	Sub total	Non-controlling interests	
Balance at 1 January 2009	3,245,814	46	415,344	25,502	557,138	67,000	(21,672)	324,581	9,000	2,632,036	7,254,789	690,153	7,944,942
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	-	-	972,471	972,471	62,082	1,034,553
Other comprehensive income													
Net change in fair value of available for sale investments	-	-	-	-	-	-	42,301	-	-	-	42,301	-	42,301
Net change in fair value of available for sale investments transferred to income statement on disposal	-	-	-	-	-	-	(3,634)	-	-	-	(3,634)	-	(3,634)
Total other comprehensive income													
	-	-	-	-	-	-	38,667	-	-	-	38,667	-	38,667
Total comprehensive income for the year													
	-	-	-	-	-	-	38,667	-	-	972,471	1,011,138	62,082	1,073,220
Transactions with owners, recorded directly in equity													
Contributions by and distributions to owners													
Capital introduced	-	-	-	-	-	-	-	-	-	-	-	4,368	4,368
Bonus shares issued	324,581	-	-	-	-	-	-	-	-	(324,581)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(324,581)	-	-	(324,581)	-	(324,581)
Dividend paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(44,552)	(44,552)
Directors' fees paid	-	-	-	-	-	-	-	-	(9,000)	(5,000)	(9,000)	-	(9,000)
Proposed director's fee	-	-	-	-	-	-	-	214,224	5,000	(214,224)	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-	-	(172,722)	-	-	-
Transfer to reserves	-	-	42,165	-	130,557	-	-	-	-	-	-	-	-
Total contributions by and distribution to owners													
	324,581	-	42,165	-	130,557	-	-	(110,357)	(4,000)	(716,527)	(333,581)	(40,184)	(373,765)
Changes in ownership interests in subsidiaries													
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3,920)	(3,920)
Total change in ownership interests in subsidiaries													
	-	-	-	-	-	-	-	-	-	-	-	(3,920)	(3,920)
Total transactions with owners													
	324,581	-	42,165	-	130,557	-	-	(110,357)	(4,000)	(716,527)	(333,581)	(44,104)	(377,685)
Balance at 31 December 2009	3,570,395	46	457,509	25,502	687,695	67,000	16,995	214,224	5,000	2,887,980	7,932,346	708,131	8,640,477

Dubai Investments PJSC and its subsidiaries

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2010

	Equity attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Legal reserve	Capital reserve	General reserve	Revaluation reserve	Fair value reserve	Proposed dividend	Proposed directors' fees	Retained earnings	Sub total	
Balance at 1 January 2010 - as originally reported	3,570,395	46	457,509	25,502	687,695	67,000	16,995	214,224	5,000	2,887,980	7,932,346	8,640,477
Impact of adopting IFRS 9 – see note (2)	-	-	-	-	-	-	5,161	-	-	(5,161)	-	-
Balance at 1 January 2010 – restated	3,570,395	46	457,509	25,502	687,695	67,000	22,156	214,224	5,000	2,882,819	7,932,346	8,640,477
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	-	804,965	804,965	845,817
Other comprehensive income												
Net change in fair value of available for sale investments	-	-	-	-	-	-	(2,144)	-	-	-	(2,144)	(2,144)
Net change in fair value of available for sale investments transferred to income statement on disposal	-	-	-	-	-	-	(20,012)	-	-	-	(20,012)	(20,012)
Net change in fair value of investments at fair value through OCI	-	-	-	-	-	-	(45,000)	-	-	-	(45,000)	(45,000)
Total other comprehensive income												
Total other comprehensive income	-	-	-	-	-	-	(67,156)	-	-	-	(67,156)	(67,156)
Total comprehensive income for the year												
Total comprehensive income for the year	-	-	-	-	-	-	(67,156)	-	-	804,965	737,809	778,661
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners												
Dividend paid	-	-	-	-	-	-	-	(214,224)	-	-	(214,224)	(214,224)
Dividend paid by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Directors' fees paid	-	-	-	-	-	-	(5,000)	-	(5,000)	-	(5,000)	(5,000)
Proposed director's fee	-	-	-	-	-	-	-	-	5,000	(5,000)	-	-
Proposed dividend	-	-	-	-	-	-	-	214,224	-	(214,224)	-	-
Transfer to reserves	-	-	35,191	-	122,869	-	-	-	-	(158,060)	-	-
Total contributions by and distribution to owners												
Total contributions by and distribution to owners	-	-	35,191	-	122,869	-	-	-	-	(377,284)	(219,224)	(251,907)
Changes in ownership interests in subsidiaries												
On business combinations (refer note 36)	-	-	-	-	-	-	-	-	-	-	-	-
Total change in ownership interests in subsidiaries												
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners												
Total transactions with owners	-	-	35,191	-	122,869	-	-	-	-	(377,284)	(219,224)	(231,715)
Balance at 31 December 2010	3,570,395	46	492,700	25,502	810,564	67,000	(45,000)	214,224	5,000	3,310,500	8,450,931	9,187,423

The notes set out on pages 10 to 58 form part of these consolidated financial statements.

Dubai Investments PJSC and its subsidiaries

Notes

(forming part of the consolidated financial statements)

1. Reporting entity

Dubai Investments PJSC (“the Company”) was incorporated in the United Arab Emirates by Ministerial Resolution No. 46 of 1995, on 16th July 1995. The consolidated financial statements for the year ended 31 December 2010 comprise the financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in associates and jointly controlled entities.

The Group is primarily involved in development of real estate for sale and leasing, contracting activities, manufacturing and trading of products in various sectors and investing in bonds, funds and equity securities.

At 31 December 2010 the Company had approximately 20,299 shareholders (2009: 21,115).

The registered address of the Company is P.O.Box 28171, Dubai, UAE.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following which are measured at fair value:

- land
- derivative financial instruments
- financial instruments at fair value through profit or loss
- financial assets at fair value through other comprehensive income
- financial instruments classified as available for sale; and
- investment properties

The methods used to measure fair values are discussed in note 2, 3 and 4.

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirate Dirham (“AED”), which is the Company’s functional currency. All financial information presented in AED has been rounded to the nearest thousand.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the current environment obtaining reliable fair value has been one of the greatest challenges. The nature and reliability of information available to management to support the making of a fair value accounting estimate vary widely, and thereby affect the degree of estimation uncertainty associated with that fair value.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are discussed in note 38.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

2. Basis of preparation (continued)

Changes in accounting policies

During the current year, the Group has adopted following new / revisions / amendments in International Financial Reporting Standards (IFRS's):

1. IFRS 3 *Business Combinations* Revised (2008)
2. IAS 27 *Consolidated and Separate Financial Statements* Revised (2008)
3. IAS 17 *Leases* (2009 Amendments)
4. IFRS 9 *Financial Instruments* (2010)

Following changes to Group's accounting policies have been made on adoption of the new / revised / amended standards:

Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy is applied prospectively and had no significant impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination has been achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated income statement.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration payable at the acquisition date.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated income statement.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a negative goodwill was immediately recognized in the consolidated income statement.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Accounting for acquisitions of non-controlling interests

From 1 January 2010, the Group has applied IAS 27 *Consolidated and Separate Financial Statements* (2008) in accounting for acquisition of non-controlling interests. The change in accounting policy is applied prospectively and had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognized arising on the acquisition of a non-controlling interest in a subsidiary; which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Accounting for lease of land

The International Accounting Standards Board (IASB) amended IAS 17 and deleted the guidance stating that a lease of land with an indefinite economic life is normally classified as an operating lease. Under the amendments, a land with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee. In such arrangements the present value of the residual value of the leased property would be negligible and lessee would typically be in a position economically similar to that of an owner.

Based on the transitional requirements of the amended standard, the Group has reassessed the classification of unexpired leases of land as at 1 January 2010. Accordingly, a land leased for several decades, wherein, the present value of the residual value at the inception of the lease is estimated to be negligible has been retrospectively accounted for as a finance lease in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The change in accounting policy had no material impact on the consolidated income statement, consolidated statement of comprehensive income and earnings per share. However, the change in accounting policy had the following effect on the consolidated statement of financial position.

	31 December 2010 AED 000	31 December 2009 AED 000	1 January 2009 AED 000
Decrease in investment properties	1,140,672	1,158,671	1,158,671
Increase in finance lease receivable	-	178,558	305,479
Increase in development properties	-	46,797	87,664
Decrease in payables (unearned rent)	1,140,672	933,316	765,528

Consequent to the retrospective application of change in accounting policy for long-term lease of land, the Group has presented a statement of financial position as at 1 January 2009.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Accounting for non-derivative financial assets and liabilities

The Group has early adopted IFRS 9 *Financial Instruments* issued in 2009 and revised in October 2010 with a date of initial application of 31st December 2010. Based on the requirements of the transitional provisions of IFRS 9, the entity has elected not to restate prior periods. The adoption of IFRS 9 had no significant impact on earnings per share.

Financial assets

IFRS 9 requires that an entity classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and contractual terms give rise on specified dates to cash flows that are solely repayment of principal and interest on the principal outstanding.

Additionally, even if the asset meets the amortized cost criteria, the Group may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminate or significantly reduces the accounting mismatch.

IFRS 9 also permits classification of equity instruments (except for those held for trading) to designate as at fair value through other comprehensive income at initial recognition. If the equity instruments are designated as at fair value through other comprehensive income, all gains and losses, except for dividend income recognized in accordance with IAS 18 *Revenue*, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

The Directors have reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. The date of initial application has not been chosen to be the beginning of the reporting period as it does not cause any significant impact on the consolidated financial statements. The following table summarizes the transitional classification and measurement adjustments to the Group's financial assets on 31st December 2010:

Dubai Investments PJSC and its subsidiaries

Notes (continued)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Accounting for non-derivative financial assets and liabilities (continued)

Financial assets (continued)

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				AED' 000	AED' 000
Trade and other receivables		Loans and receivables	Amortized cost	2,231,604	2,231,604
Long term rent receivable		Loans and receivables	Amortized cost	136,554	136,554
Long term finance lease receivable		Loans and receivables	Amortized cost	25,766	25,766
Quoted equity securities and funds		Fair value through profit or loss	Fair value through profit or loss	932,357	932,357
Quoted equity securities	(a)	Available for sale	Fair value through profit or loss	47,681	47,681
Unquoted equity securities and funds	(b)	Available for sale	Fair value through profit or loss	231,615	231,615
Unquoted equity securities	(c)	Available for sale	Fair value through OCI	591,880	546,880
Cash and cash equivalents		Loans and receivables	Amortized cost	210,757	210,757

- (a) These quoted equity investments were designated as available for sale under IAS 39. Upon adoption of IFRS all quoted equity securities are classified as fair value through profit or loss.
- (b) These investments in unquoted equity securities and funds were designated as available for sale under IAS 39 which have been classified as fair value through profit or loss upon adoption of IFRS 9.
- (c) These unquoted equity investments were designated as available for sale under IAS 39 which have been classified as at fair value through other comprehensive income upon adoption of IFRS 9.

The change in accounting policy is applied on a retrospective basis effective 1st January 2010 for all investments held at 31 December 2010 without restatement of prior periods. Accordingly, fair value reserve of AED 5.1 million relating to quoted equity securities which were classified as available for sale and now reclassified as fair value through profit or loss is adjusted in opening retained earnings.

Further, changes in fair value of investments classified as fair value through OCI have been recognized in other comprehensive income.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

2. Basis of preparation *(continued)*

Changes in accounting policies *(continued)*

Accounting for non-derivative financial assets and liabilities (continued)

Financial assets *(continued)*

Policy applicable upon adoption of IFRS 9

The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortized cost.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost using the effective interest method and net of any impairment loss, if: the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest. The Group's policy on impairment is the same as that applied for loans and receivables (refer note 3).

Financial assets measured at fair value

Financial assets other than those subsequently measured at amortized cost are subsequently measured at fair value with all changes in fair value recognized in income statement. However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to income statement and no impairments are recognized in income statement. Dividends earned from such investments are recognized in income statement unless the dividends clearly represent a recovery of part of the cost of the investment.

Policy applicable prior to initial application of IFRS 9

For accounting policy applicable to non-derivative financial assets prior to initial application of IFRS 9 (refer note 3).

Financial liabilities

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to income statement. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was required to be recognized in the income statement.

The adoption of IFRS 9 did not impact Group's accounting policy for financial liabilities. Refer note 3 for accounting policy of financial liabilities.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, except for the changes in accounting policies as explained in note 2 above. Adjustments have been made, wherever necessary, to align accounting policies of the subsidiaries with the Group.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Basis of consolidation

Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations (refer note 2).

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an associate or as a financial asset depending on the level of influence retained.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investment in associates is recognized initially at cost. The consolidated financial statements include the Group's share of profit and equity movements of associates accounted for on an equity basis, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences and until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the investment in the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of an associate.

Jointly controlled entities

Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement and requires unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the entity's assets, liabilities, income and expenses with items of a similar nature proportionately consolidated on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Transactions eliminated on consolidation

Material intra-group balances and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in that entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Revenue

Goods and properties sold

Revenue from sale of goods and properties in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of the revenue can be measured reliably.

Services rendered

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date.

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the income statement in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed and in some cases by comparing the cost incurred to date with the total estimated costs of completion. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the income statement.

Rental income

Rental income from investment properties is recognized in income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Consequent to the adoption of amendments to IAS 17 *Leases* effective 1 January 2010, the Group has changed its policy for accounting for long-term lease of land (refer note 2).

Dividend income

Dividend income is recognized in the income statement when the right to receive the dividend has been established and is normally the date that the dividend is declared.

Government grant

Government grant is initially recognized as deferred income at fair value when there is a reasonable assurance that:

- (a) the Group will comply with the conditions associated to them; and
- (b) the grants will be received

Government grant that compensates the Group for expenses incurred are recognized in the income statement on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. An unconditional government grant in the form of non depreciable, non-monetary assets is recognized in the income statement when the grant becomes receivable.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Finance income and expense

Finance income comprises interest income on funds invested, unwinding of the discount factor on financial assets measured at amortized cost and gain on derivative financial instruments. Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

Finance expenses comprise interest expenses on borrowings, unwinding of the discount factor on financial liabilities measured at amortized cost, losses on derivative financial instruments and impairment loss on financial assets. Interest is payable on current facilities from banks and overdrafts and term loans obtained from banks at normal commercial rates. Borrowing costs are recognized as expense in the income statement in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or production are expensed. Capitalization of borrowing costs is suspended during extended period in which the active development of a qualifying asset has ceased.

Property, plant and equipment and biological assets

Recognition and measurement

Except for land, which is carried at a revalued amount, the Group's property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for its intended use and capitalized borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognized in the income statement to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognized in the revaluation reserve directly in other comprehensive income. Any loss is recognized in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the comprehensive income relating to the specific property, with any remaining loss recognized immediately in the income statement.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Property, plant and equipment and biological assets (continued)

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

Assets	Life (years)
Buildings	3-33
Plant and equipment	2-22
Office equipment and furniture	3-10
Motor vehicles	3- 7

Biological assets

The value of the livestock has been determined on a historical cost basis less accumulated depreciation and impairment losses, if any. The value of homebred livestock includes cost of feed, labour and overhead cost incurred before they become productive. The cost of feed, labour and overhead cost is determined on the basis of the latest purchase price and standard cost respectively. The cost of the home grown and bought-out biological assets is depreciated at 15.5 percent per annum over the lactation period.

Depreciation methods, useful lives and residual values are re-assessed at each financial year-end and adjusted if appropriate.

Leased assets

Leases in terms of which the Group assumes all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lesser of the asset's fair value and the present value of the minimum lease payment at inception of the lease, less accumulated depreciation and impairment losses (if any).

Intangible assets

Goodwill

Following the adoption of revised IAS 27 *Consolidated and Separate Financial Statements* (2008) effective 1st January 2010, the Group has changed its accounting policy for business combinations which has a corresponding effect on accounting policy of recognition and measurement of goodwill (refer note 2).

Subsequent measurement

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of the Group's stake in an entity include the carrying amount of goodwill relating to that entity.

Goodwill attributable to investment in associates is shown as part of the carrying value of investment. Goodwill attributable to subsidiaries and jointly controlled entities is shown separately as goodwill under intangible assets.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

3. Significant accounting policies *(continued)*

Intangible assets *(continued)*

Other intangible assets

Other intangible assets including technical know-how, product distribution rights, patents and trademarks are stated at cost less accumulated amortization and impairment losses. These are amortized as per management's estimate of their useful life, which is between 5 to 10 years.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. Where the Group provides ancillary services to the co-occupants of a property, it treats such a property as investment property if the services are a relatively insignificant component in the arrangement as a whole.

An investment property is measured at cost on initial recognition and subsequently at fair value with any changes therein recognized in the income statement.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

An external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the portfolio regularly. The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. However, in the case of residential property units, the fair values are determined based on recent selling prices for similar units.

The fair value adjustments on investment properties are included in the income statement as investment returns in the period in which these gains or losses arise. In determining the carrying amount of investment properties, the Group does not double count assets or liabilities that have already been recognized as separate assets or liabilities.

Rental income from investment property is accounted for as described in accounting policy for rental income.

Property that is being constructed for future use as investment property is accounted for as investment property and classified under development property until construction or development is complete.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Development properties

Property that is being constructed or developed for future use as an investment property is classified as development property and is measured at fair value. If fair value of an investment property under construction is not reliably determinable but expected to be determinable when construction is complete, it is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Inventories

Inventories comprise finished goods, raw materials, work-in-progress, spare parts, consumables and properties under development for sale.

Finished goods, raw material, work- in- progress, spare parts and consumables

Inventories are measured at lower of cost and net realizable value. The cost of raw materials, spare parts and consumables are based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Finished goods are stated at cost of raw material and also include an appropriate proportion of overheads based on normal operating capacity. Work in progress is stated at cost of raw materials and directly attributable overheads. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realizable value. Cost includes the aggregate cost of development, borrowing costs capitalized and other direct expenses. Net realizable value is estimated by the management, taking into account the expected price which can be ultimately achieved, based on prevailing market conditions and the anticipated costs to completion.

The amount of any write down of properties under development for sale is recognized as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realizable value is recognized in the income statement in the period in which the increase occurs.

Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads in the Group's contract activities based on normal operating capacity. Construction work-in-progress is presented as part of other receivables in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as part of other payables in the statement of financial position.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Financial instruments

Non-derivative financial assets

Upon adoption of IFRS 9 *Financial Instruments* from 31st December 2010, the Group has changed its accounting policy with respect to accounting for non-derivative financial assets. Refer note 2 for revised policy upon adoption of IFRS 9. Following policy was applicable for the comparative period as the Group has elected not to restate the comparative figures upon adoption of IFRS 9 as allowed under the transitional requirements.

Policy applicable prior to adoption of IFRS 9

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially at the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

Financial asset and liability are offset and net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets comprise investments at fair value through profit or loss, available for sale investments and loans and receivables.

Investments at fair value through profit or loss

An investment is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in the income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the income statement.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, rent receivables, finance lease receivables and due from related parties.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits (with maturity of less than three months). Bank overdrafts and trust receipts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group's investment in certain equity securities and funds are classified as available for sale investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available for sale monetary items, are recognized in other comprehensive income and presented within equity as fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the income statement.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets

Others

Other non-derivative financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to economically hedge its foreign currency and interest rate exposures. At the reporting date, derivatives are marked to market and changes therein are recognized in the income statement as the Group does not apply hedge accounting.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to AED at the average exchange rates for current period. Foreign exchange differences arising on translation are recognized in other comprehensive income.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expenses.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Impairment

Non-derivative financial assets

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to income statement. The cumulative loss that is removed from other comprehensive income and recognized in income statement is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in income statement. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment properties and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGU that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Staff terminal benefits

The provision for staff terminal benefits, disclosed under other payables and accruals, is based on the liability that would arise if the employment of all the staff were terminated at the reporting date. This provision has been calculated in accordance with the UAE Federal Labor Law, as applicable.

In accordance with the UAE Federal Labor Law No. 7 of 1999 for pension and social security, the employers are required to contribute 12.5% of the 'contribution calculation salary' of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Group's contribution is recognized as an expense in the income statement as incurred.

Operating lease payments

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Non-current assets held for sale and distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and investment properties which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognized in the income statement. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Earnings per share

The Group presents basic earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Weighted average number of shares outstanding is retrospectively adjusted to include the effect of any increase in the number of shares without a corresponding change in resources.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors (BOD) to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

New standard and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective and therefore have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following:

IAS 24 (Revised) - *Related Party Disclosures*: The revised IAS 24 *Related Party Disclosures* amends the definition of a related party and also modifies certain related party disclosure requirements for government-related entities. The Group is currently in the process of evaluating the potential effect of this standard. The amendment becomes effective for annual periods beginning on or after 1 January 2011.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability or in note 37.

Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which a it could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment property

An external, independent valuation company, having appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the Group's investment property portfolio on a regular basis. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion. These fair values are reviewed by the management in light of the current economic environment.

In the absence of current prices in an active market, the valuations are prepared considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale and a reasonable profit margin.

Equity and debt securities

The fair value of quoted equity and debt securities is determined by reference to their closing bid price at the reporting date. If unquoted, the fair value is determined using various alternative valuation techniques.

Trade and other receivables

The fair value of trade and other receivables, excluding Construction work-in-progress is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

The fair value of derivatives is based on their bid price.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

5. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, investments in funds and cash at bank.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. The Group does not have significant exposure to any individual customer or counter-party that has not otherwise been mitigated.

The Group seeks to limit its credit risk with respect to customers by reviewing credit to individual customers by tracking their historical business relationship and default risk. Subsidiaries operating in the property segment sell its properties subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets and also taking into consideration the current economic factors.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

5. Financial risk management (continued)

Credit risk (continued)

Investments

The Group limits its exposure to credit risk by only investing with counterparties that have credible market reputation. The Group's management does not expect any counterparty to fail to meet its obligations.

Cash at bank

Cash is placed with local and international banks of good repute.

Guarantees

The Group policy is to provide financial guarantees to its subsidiaries and joint ventures in proportion to its holding. In the event, financial guarantee is issued in excess of the Group's proportionate holding; undertaking/indemnities are obtained from the partners.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group currently has the following credit limits which are unutilized:

- short term bank loan facilities totalling to AED 779 million on which interest is payable at normal commercial rates.
- long term bank loan facilities totalling to AED 160 million on which interest is payable at normal commercial rates.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys derivatives, and also incurs financial liabilities, in order to manage market risks. However, the Group does not apply hedge accounting.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily United State Dollar ("USD") and Euro. The Group does not face any foreign currency risk on transactions denominated in USD as AED is currently pegged to USD.

The Group manages its exposure in foreign currency exchange rates by the use of derivative instruments. The Group economically hedges, as appropriate, its foreign currency exposure in respect of trade receivables and trade payables. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

5. Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by matching the timing of its receipts and payments denominated in foreign currencies.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the net finance cost of the Group.

Financial assets and liabilities that are subject to fair value interest risk are the ones with fixed interest rate. Financial assets and liabilities that are subject to cash flow interest rate risk are the ones with floating interest rate.

The Group has hedged its exposure to certain floating rate long term loans by entering into structured interest rate swaps with banks. At 31 December 2010 the Group held outstanding interest rate swap contacts with notional amounts of AED 174.8 million (2009: AED 216 million). The swaps mature over the next 2 to 8 years following the pattern of the maturity of the related loans.

Although the swap is undertaken to hedge the exposure on interest rate on the floating rate loan, the Group has not opted to use hedge accounting. Had the hedge accounting been used, the effective portion of the hedge would have been taken through other comprehensive income. The net fair value of the interest rate swap at 31 December 2010 was a liability of AED 14.1 million (2009: liability of AED 8.8 million). The changes in fair valuation are recognized in the income statement.

The long-term loans attract varying rates of interest, which are, in general, varied with reference to the base lending rates of the banks at regular intervals.

Other market price risk

Equity price risk arises from marketable securities measured at fair value. Management of the Group monitors the mix of debt and equity securities in investments portfolio to maximize investment returns, which is the primary goal of the Group's investment strategy. In accordance with this strategy certain investments are designated as fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to Group's reputation with overall cost effectiveness.

Compliance with the Group standards is monitored by periodic reviews undertaken by Internal Audit, the results of which are submitted to the Audit Committee and senior management of the Group.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

5. Financial risk management *(continued)*

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which is defined as profit for the year attributable to equity holders of the Company divided by total shareholders' equity. The Board of Directors monitors the level of dividend to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages of security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries have various borrowing arrangements with banks, some of which require it to maintain net worth, leverage and debt equity ratios. Apart from these requirements and requirements of certain provisions of the UAE Federal Law No. 8 of 1984 (as amended), neither the Company nor any of its subsidiaries are subject to other externally imposed capital requirements.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

6. Direct operating costs

	2010 AED'000	2009 AED'000
<i>These include:</i>		
Staff costs	206,843	126,779
Provision for write down of inventories to net realizable value	105,600	203,017
Depreciation	100,765	79,117
	<u> </u>	<u> </u>

7. Administrative and general expenses

	2010 AED'000	2009 AED'000
<i>These include:</i>		
Staff costs	217,277	216,989
Impairment loss on property, plant and equipment	-	50,484
Depreciation	34,292	36,847
	<u> </u>	<u> </u>

8. Finance income and expenses

	2010 AED'000	2009 AED'000
Interest income	30,873	58,232
Unwinding of discount on financial assets measured at amortized cost	6,655	12,744
Finance income	<u>37,528</u>	<u>70,976</u>
Interest expense	(144,398)	(160,995)
Unwinding of discount on financial liabilities measured at amortized cost	(620)	(2,862)
Net foreign exchange loss	(15,986)	(6,027)
Net change in fair value of derivative financial instruments	1,465	(6,025)
Impairment loss on financial assets	(12,682)	(58,933)
Finance expenses	<u>(172,221)</u>	<u>(234,842)</u>
Net finance expenses recognized in the income statement	<u>(134,693)</u>	<u>(163,866)</u>

9. Other income

For the year ended 31 December 2009, other income included an amount of AED 34 million forfeited by a subsidiary on default in payment by a customer.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

10. Property, plant and equipment and biological assets

	Land and buildings AED'000	Biological assets AED'000	Plant & equipment AED'000	Office equipment & furniture AED'000	Motor vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost/valuation							
At 1 January 2009	568,669	20,089	830,968	61,342	46,250	1,268,920	2,796,238
Additions	1,601	5,534	44,890	9,755	6,246	428,153	496,179
Disposals, write-offs and transfers	243,707	(2,545)	574,981	(3,310)	(2,016)	(857,934)	(47,117)
Transfer from / (to) investment properties (refer note 12) (net)	63,998	-	-	-	-	(28,620)	35,378
Disposal of investment in a subsidiary	(821)	-	(6,562)	(1,773)	(901)	-	(10,057)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2009	877,154	23,078	1,444,277	66,014	49,579	810,519	3,270,621
At 1 January 2010	877,154	23,078	1,444,277	66,014	49,579	810,519	3,270,621
Additions	55,722	3,120	20,220	7,258	6,039	101,315	193,674
Disposals, write-offs and transfers	12,712	(2,786)	444,465	(3,089)	(2,847)	(480,211)	(31,756)
On acquisition through business combination	17,210	-	10,435	2,392	770	-	30,807
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2010	962,798	23,412	1,919,397	72,575	53,541	431,623	3,463,346
	-----	-----	-----	-----	-----	-----	-----
Accumulated depreciation and impairment losses							
At 1 January 2009	96,350	5,977	272,832	38,712	26,653	-	440,524
Charge for the year	26,563	790	69,259	12,028	7,324	-	115,964
Impairment loss	5,919	-	44,081	-	-	484	50,484
On disposals & write-offs	(1,949)	-	(2,587)	(1,921)	(1,536)	-	(7,993)
On disposal of investment in a subsidiary	(821)	-	(1,595)	(1,408)	(732)	-	(4,556)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2009	126,062	6,767	381,990	47,411	31,709	484	594,423
At 1 January 2010	126,062	6,767	381,990	47,411	31,709	484	594,423
Charge for the year	29,599	778	84,692	12,959	7,029	-	135,057
On disposals & write-offs	(7)	-	(11,880)	(2,942)	(2,255)	-	(17,084)
On acquisition through business combination	2,289	-	4,795	1,658	497	-	9,239
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2010	157,943	7,545	459,597	59,086	36,980	484	721,635
	-----	-----	-----	-----	-----	-----	-----
Net book value							
At 1 January 2009	472,319	14,112	558,136	22,630	19,597	1,268,920	2,355,714
	=====	=====	=====	=====	=====	=====	=====
At 31 December 2009	751,092	16,311	1,062,287	18,603	17,870	810,035	2,676,198
	=====	=====	=====	=====	=====	=====	=====
At 31 December 2010	804,855	15,867	1,459,800	13,489	16,561	431,139	2,741,711
	=====	=====	=====	=====	=====	=====	=====

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

10. Property, plant and equipment and biological assets *(continued)*

- (i) The Group had purchased a plot of land costing AED 5 million in 1996. In 1997, the Government of Dubai gifted another plot of land adjacent to the existing land to the Group, which was accounted for at nominal value by the Group. These lands were earlier revalued during 1999, 2003 and 2005 and 2009 by a professional firm of independent property valuers. As the market value of these two plots of land was higher than the carrying value as at that date, a revaluation surplus arose which had been credited to non-distributable revaluation reserve (refer note 28).
- (ii) Capital work in progress mainly represents cost incurred by a subsidiary for establishing its manufacturing facilities, cost incurred by a joint venture towards certain key district cooling projects that are outstanding at the year end and cost of Dubai Investments Corporate Office building under construction at Dubai Investments Park. Also included is the borrowing cost amounting to AED 26 million (2009: AED 23 million) capitalized during the year as a part of the cost of the qualifying assets.
- (iii) In accordance with IAS 41 - *Agriculture*, the Group is required to fair value its biological assets and produce there from. Considering various complexities involved, it is not possible to fair value biological assets and therefore, biological assets are measured at cost, less accumulated depreciation and impairment losses (if any).
- (iv) Buildings, plant and machinery with a net book value of AED 1,202 million (2009: AED 1,163 million) are mortgaged as security against term loans obtained from banks. In certain instances, the insurance over buildings and plant and machinery is also assigned in favor of the banks against facilities availed.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

11. Intangible assets including goodwill

AED'000

	Goodwill	Other intangible assets	Technical know-how, product distribution rights, patent and trade mark	Total
Cost				
As at 1 January 2009	188,017	2,704	28,173	218,894
Additions	-	6,634	16,647	23,281
Disposal of a subsidiary	(114)	-	-	(114)
	-----	-----	-----	-----
As at 31 December 2009	187,903	9,338	44,820	242,061
	-----	-----	-----	-----
As at 1 January 2010	187,903	9,338	44,820	242,061
Additions/acquisition through business combination	-	2,934	980	3,914
	-----	-----	-----	-----
As at 31 December 2010	187,903	12,272	45,800	245,975
	-----	-----	-----	-----
Accumulated amortization and impairment losses				
As at 1 January 2009	(11,121)	(2,455)	(8,862)	(22,438)
Amortization and impairment	(2,160)	(800)	(2,911)	(5,871)
	-----	-----	-----	-----
As at 31 December 2009	(13,281)	(3,255)	(11,773)	(28,309)
	-----	-----	-----	-----
As at 1 January 2010	(13,281)	(3,255)	(11,773)	(28,309)
Amortization and impairment	-	(296)	(2,882)	(3,178)
	-----	-----	-----	-----
As at 31 December 2010	(13,281)	(3,551)	(14,655)	(31,487)
	-----	-----	-----	-----
Carrying amount				
1 January 2009	176,896	249	19,311	196,456
	=====	=====	=====	=====
31 December 2009	174,622	6,083	33,047	213,752
	=====	=====	=====	=====
31 December 2010	174,622	8,721	31,145	214,488
	=====	=====	=====	=====

Dubai Investments PJSC and its subsidiaries

Notes (continued)

12. Investment properties

	2010 AED'000	2009 AED'000 Restated
At 1 January	2,860,359	1,720,787
Additions	320	1,216
Transferred from development properties (refer note 13)	102,903	72,351
Transferred from inventories (refer (e) below)	-	391,924
Transferred from/ (to) property, plant and equipment (refer (f) below)	-	(35,378)
Acquisition through business combination	6,000	-
Investment property sold	(17,165)	-
Gain on fair valuation	618,898	709,459
At 31 December	3,571,315	2,860,359

- (a) Investment properties, comprising infrastructure facilities, are leased to third parties. These are built on the land (number 598-0100 and 596-0100 located in Jebel Ali Industrial Area) obtained from the Government of Dubai on a renewable, non-cancellable long-term lease of 99 years. The Group was exempted to pay the lease rentals for the first ten years and thereafter, starting 1 February 2009, 20% of the net realized profits from the project are payable.

The leased land from the Government of Dubai is developed in phases. The development of entire Phase VII (comprising areas 1 to 3) was completed in the current year. The development of entire phase VIII is in progress as of the year end. During the year, the Group has obtained fair values for all completed phases/areas. The valuation was carried out by an independent registered valuer in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors which also takes into consideration the cash outflows resulting from the estimated 20% share of the net realized profits due to the Government of Dubai starting February 2009. The cash flows from existing phases have increased mainly due to increase in leased area after certain modifications were made to the phases and increase in lease rentals per terms of contract with tenants and receipt of significant lease rentals in advance from few tenants.

Since, valuation of all completed phases/areas by independent registered valuer is based on future net cash flows, the amount of rent accrued on the straight line basis as per IAS 17 has been eliminated in order to avoid double counting of assets. Similarly, the unearned rent received in advance and recognized liabilities for 20% share of the Government of Dubai at the valuation date have been included in the valuation of investment properties. The reconciliation of valuation of investment properties carried out by the independent registered valuer and the adjusted valuation included in the consolidated financial statements is as follows:

	2010 AED'000	2009 AED'000 Restated
Fair valuation of completed investment properties as per independent registered valuation reports	2,955,265	2,254,287
Less: adjustment for rent receivable	(262,742)	(226,208)
Add: adjustment for unearned rent *	126,172	83,897
Add: adjustment for recognized liabilities	66,242	80,805
	2,884,937	2,192,781

* Unearned rent represents receipt of lease rentals in advance from few tenants.

As mentioned in note 2, effective 1 January 2010 the Group has adopted the amendments to IAS 17 *Leases* and consequently has changed its accounting policy for long term lease of land (refer note 2).

Dubai Investments PJSC and its subsidiaries

Notes (continued)

12. Investment properties (continued)

- (b) Included in investment properties are residential units leased out under short term operating leases, a shopping mall and executive apartments of the joint venture entity, Properties Investment LLC ("PI"). For the residential property units, the operating lease agreements give the tenants an option to buy the property at an "option price". The fair value of such property units have accordingly been restricted to the "option price" committed to the tenants. The fair value of the shopping mall and the executive apartments is determined by an external, independent valuation company.
- (c) Also, included in investment properties is a plot of land in Dubai, which was gifted to the Company by the Government of Dubai. The Company constructed an office cum residential building in 2001 on the gifted land and this has been fully let out. Fair valuation of this property at the reporting date has been obtained by an external independent valuation company.
- (d) Included in investment properties is a plot of land received by a subsidiary as grant from the Government of Fujairah. The fair value of this plot of land as at the reporting date has been determined by an external, independent valuation company.
- (e) During the previous year, based on change of use, the Group reclassified certain labour camps having a carrying value of AED 391.9 million from inventories to investment properties at a fair valuation of AED 394 million.
- (f) During the previous year, on occupying certain properties for own use, the Group reclassified such properties from investment properties to property, plant and equipment.
- (g) Investment property valuing AED 340 million (2009: AED 380 million) is hypothecated/ mortgaged against the long term loan taken from a bank. Also, the fire insurance policy over the property mentioned in para 12(c) above is assigned in favor of the bank.

13. Development properties

	2010	2009
	AED'000	AED'000
		Restated
At 1 January	272,562	435,526
Additions	192,652	211,645
Transferred to investment properties (refer note 12)	(102,903)	(72,351)
Cost of properties sold	(187,199)	(302,257)
At 31 December	175,112	272,563

Development properties as of 31 December 2010 mainly comprise costs incurred by a joint venture entity towards construction of Green Community West in Dubai Investment Park. It also includes cost incurred by a subsidiary for the development of the Phase VIII at Dubai Investment Park.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

14. Investments

As mentioned in note 2, the Group has early adopted IFRS 9. As a result, the Group has reclassified certain investments in unquoted equity securities and funds, earlier classified as available for sale investments, to at fair value through other comprehensive income.

Further, certain investments in quoted / unquoted equity securities earlier classified as available for sale investments have been designated as fair value through profit or loss.

	2010 AED'000	2009 AED'000
Investments at fair value through profit or loss:		
- held for trading quoted equity securities	381,163	329,374
- unquoted equity securities and funds	830,490	-
- designated as fair value through profit or loss	-	590,036
	<u>1,211,653</u>	<u>919,410</u>
(i)		

Investments at fair value through other comprehensive income:

- unquoted equity securities	546,880	-
	<u>546,880</u>	<u>-</u>
(ii)		

Net change in fair value of AED 45 million for investments at fair value through OCI has been recognized in other comprehensive income.

Investments designated as available for sale:

- quoted equity securities	-	131,303
- unquoted equity securities and funds	-	861,565
	<u>-</u>	<u>992,868</u>
(iii)		

	2010 AED'000	2009 AED'000
Geographical distribution of investments:		
UAE	863,207	707,330
Other GCC countries	338,448	605,422
Other countries	556,878	599,526
	<u>1,758,533</u>	<u>1,912,278</u>
(i)+(ii)+(iii)		

Held for trading quoted equity securities with a fair value of AED 136 million (2009: AED nil) is pledged in favor of bank against borrowing availed.

Sensitivity analysis – equity price risk

The Group's investment in quoted equity securities are listed on the Dubai Financial Market (DFM), Nasdaq Dubai, Abu Dhabi Securities Market (ADSM), Saudi Stock Exchange (Tadawul) and Khartoum Stock Exchange (Sudan). For such investments classified as at fair value through profit or loss, a 10 % increase in any of these stock exchanges at the reporting date would have increased profit by AED 20.6 million (2009: AED 12.7 million); an equal change in the opposite direction would have decreased profit by AED 20.6 million (2009: AED 12.7 million). For such investments classified as fair value through other comprehensive income and available for sale, any change in fair value is recognized in other comprehensive income and presented within equity in the fair value reserve.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

14. Investments (continued)

14. (a) Investments at fair value through profit or loss

The major investments under this category are:

Sarasin Alpen Partners Limited ("SAPL") (fund):

The Company has invested in fund managed by Sarasin Alpen Partners Limited. The primary purpose of this investment is to leverage the transaction with an international bank to generate returns by investing in the UAE and other GCC countries in deposits with maturity tenure of not more than one year.

Societe Generale (managed fund):

The Company holds investment in a specialized portfolio managed by Societe Generale. The portfolio comprises investments in various securities and bonds globally.

Energy City Navi Mumbai Investment Company (unquoted equity security):

The Group holds investment in Energy City Navi Mumbai Investment Company, which is registered in Cayman Islands with its head office in India. The company is established for developing commercial buildings and residential accommodations.

Sudanese French Bank (quoted equity security):

The Company holds investment in Sudanese French Bank which is listed on Khartoum Stock Exchange, in Sudan.

Tunisia Bay Investment Company (unquoted equity security):

The Company holds investment in Tunis Bay Investment Company, registered in Cayman Islands. The company is established for development of a financial harbour in Tunis Bay, comprising commercial, residential, tourism, medical, educational and leisure components.

Managed funds and structured products:

The Group holds investment in various funds and structured products.

14. (b) Investments at fair value through other comprehensive income

The major investments under this category are:

Thuraya Satellite Telecommunications Company (Thuraya) (unquoted equity security):

The Company was a founder shareholder in this project and holds 5% of the equity of Thuraya.

First Energy Bank (unquoted equity security):

The Group holds 5% shareholding in First Energy Bank, which is a Sharia'a compliant bank based in the Kingdom of Bahrain focused on investment, financing and service needs of the energy sector.

Islamic Bank of Asia (unquoted equity security):

The Company holds 5% shareholding in Islamic Bank of Asia, Singapore. The bank started its commercial operations in May 2007.

Abu Dhabi Investment House (ADIH) (unquoted equity security):

The Company holds 1.84% of shareholding in ADIH, which is a Sharia'a compliant investment bank based in UAE with a focus on investment sector.

Takaful Re Limited (unquoted equity security):

The Company holds a 10% interest in Takaful Re Limited, an Islamic Re-insurance Company promoted by ARIG.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

14. Investments (continued)

14. (c) Investments in subsidiaries

The following are the investments in subsidiaries held by the Company as at 31 December 2010:

Subsidiaries:	Incorporated in	Ownership %
Dubai Investments Park Development Co. LLC	UAE	100
Dubai Investment Real Estate Company	UAE	100
Dubai Investment Capital Venture LLC	UAE	100
Al Taif Investment Company LLC	UAE	60
Dubai Investments Industries LLC	UAE	100
Glass LLC	UAE	100
Masharie LLC (formerly M'Sharie LLC)	UAE	60

The following are the investments in subsidiaries held by Dubai Investments Industries LLC as of 31 December 2010:

Emirates Building Systems Company LLC	UAE	100
Globalpharma Company LLC	UAE	100
The Edible Oil Company (Dubai) LLC	UAE	54
Marmum Dairy Farm LLC	UAE	100
United Sales Partners LLC	UAE	100
Dubai Cranes and Technical Services LLC	UAE	80
Emirates Extruded Polystyrene LLC	UAE	51
Guassin Middle East LLC	UAE	51
Techsource LLC	UAE	100

The following are the investments in subsidiaries held by Glass LLC as of 31 December 2010:

Emirates Glass LLC	UAE	100
Lumi Glass Industries LLC	UAE	76.5
Emirates Float Glass LLC	UAE	54
Saudi American Glass Company Limited	KSA	100

The following are the investments in subsidiaries held by Masharie LLC as of 31 December 2010:

Emirates Extrusion Factory LLC	UAE	100
Gulf Dynamic Switchgears Company LLC	UAE	100
Gulf Metal Craft LLC	UAE	100
Emirates Thermostone Factory LLC	UAE	100
Folera Beach Constructions LLC	UAE	80
Gulf Dynamic Services LLC	UAE	70
Labtech Interiors LLC	UAE	70
Technological Laboratory Furniture - Manufacturers (Labtech) LLC	UAE	70
National Insulated Blocks Industry (Insulite) LLC	UAE	52
Stromek Emirates Foundation LLC	UAE	51
International Rubber Company LLC	UAE	51
White Aluminum Extrusion LLC	UAE	51
Anchor Allied Factory Ltd LLC	UAE	51
Inter-Chemi International Limited	BVI	51
Integrated Commercial Investments LLC	UAE	55
Techno Rubber Company	UAE	51
Lite tech Industries LLC	UAE	54

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

14. Investments *(continued)*

14. (c) Investments in subsidiaries *(continued)*

- (i) During the current year, the Group acquired 51% stake in Techno Rubber Company (Techno Rubber) in Kingdom of Saudi Arabia with effect from 1 July 2010.
- (ii) During the current year, the Group increased its equity stake in Lite tech Industries LLC from 24 percent to 54 percent with effect from 23 December 2010. Lite tech Industries LLC is now a subsidiary of the Group.

14. (d) Investments in joint ventures

The following are the investment in joint ventures held by the Group as at 31 December 2010:

Properties Investment LLC

Properties Investment LLC is a joint venture between the Company and Union Properties PJSC. The principal activities of the entity are property investment, development, sale and related activities.

Emirates District Cooling LLC (Emicool)

Emicool is a joint venture between the Group and Union Properties PJSC. The principal activity of this entity is to distribute and sell chilled water for use in district cooling systems.

Al Mujamma Real Estate Company LLC

Al Mujamma Real Estate Company LLC is a joint venture between Dubai Investment Real Estate Company LLC and ANC Investment LLC. The joint venture is mainly engaged in the business of real estate including construction, demolition and rebuilding as manager, developers, and investors as well as management and leasing of properties.

Al Arif Contracting Company LLC

This is a joint venture between the Group and Al Arif Investments LLC registered in the UAE. The principal activities of this entity are piling and foundation contracting, building contracting, general maintenance, plumbing and sanitary contracting, electrical fitting contracting and real estate agency. The Group effectively owns 30% equity of this entity.

QDI Sport Management Company LLC (QDI)

QDI is a joint venture between the Group and Al Qudra Sports Management LLC of Abu Dhabi. The principal activities of the joint venture are to engage in sports clubs and facilities management and other sports related activities.

Dubai International Driving Center LLC

This is a limited liability company registered in the UAE, the principal activities of the entity are to impart, train, teach driving skills and to provide services of auto general repairing, vehicle maintenance and related services. The Group effectively owns 30% equity of this entity.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

14. Investments *(continued)*

14. (d) Investment in joint ventures *(continued)*

Power Factor Electromechanical Works LLC

The Group together with Al Arif investments LLC has incorporated a joint venture entity to conduct activities of mechanical, electrical and plumbing contracting works. The Group effectively owns 30% equity of this entity.

Al Arif Contracting Abu Dhabi LLC

On 2nd June 2010, Al Arif Contracting Company LLC incorporated a 100% owned subsidiary Al Arif Contracting Abu Dhabi LLC in accordance with the Commercial Companies Law in the Emirate of Abu Dhabi, United Arab Emirates. The Group effectively owns 30% of the equity of the newly incorporated entity.

Syscom Emirates LLC

On 1st September 2010, the Group entered into a joint venture agreement with a third party, whereby the Group transferred all assets and liabilities of a subsidiary Syscom Emirates LLC to another group entity at book value and transferred 50% of its stake in this subsidiary at nil consideration to the third party. Accordingly, Syscom Emirates LLC is now a joint venture entity of the Group.

EMIROLL LLC

EMIROLL LLC is a joint venture between the Company and Compagnie Generale De Participation Industrielle Et Financiere of France and Al-Ghurair Private Company LLC. EMIROLL LLC is formed to set up an aluminum product manufacturing plant at Dubai Investments Park.

15. Investments in associates

Following is the significant associate of the Group:

Al Taweeq Investment LLC

This is a limited liability company registered in the Kingdom of Saudi Arabia. The Group has 30% interest in this entity. Also refer note 14(c) (ii)

16. Long term rent receivable (net)

Long term rent receivable represents the differential between the amount billed to tenants and the amount recognized as rental income on a straight line basis over the term of the lease, including the option to renew the lease at the end of the initial lease term, as required by IAS 17 – *Leases*. The difference principally arises due to an initial rent free period allowed and the rent increase agreed after the expiry of the initial term of the lease. Rent received in advance from lessees is netted off in determining the net long term receivable as of the reporting date.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

17. Finance lease receivable

The Group has the following interest in finance leases:

	2010 AED'000	2009 AED'000 Restated
Gross investment	216,779	214,779
Unearned finance income	(7,917)	(10,584)
Net investment	208,862	204,195
Less: current portion (classified under trade receivables)	(183,096)	(2,957)
Non-current portion	25,766	201,238

The finance leases receivable by the Group are as follows:

	Minimum lease payments 2010 AED'000	Interest 2010 AED'000	Principal 2010 AED'000	Minimum lease payments 2009 AED'000 Restated	Interest 2009 AED'000 Restated	Principal 2009 AED'000 Restated
Less than one year	185,000	1,904	183,096	4,910	1,953	2,957
Between one and five years	21,945	3,916	18,029	198,238	5,751	192,487
More than five years	9,834	2,097	7,737	11,631	2,880	8,751
	216,779	7,917	208,862	214,779	10,584	204,195

The Group's interest in finance leases represents lease of property units and long term lease of land to third parties which have been classified as finance leases under IAS 17 *Leases*. The terms of payment range from 2 to 15 years where substantially all the risks and rewards are with the lessee. Where the Group enters into such a lease, the Group records a disposal of the property concerned and recognizes finance lease receivable. No contingent rent is receivable. Consequent to the adoption of amendments to IAS 17 *Leases* effective 1 January 2010, the Group has changed its policy for accounting for long-term lease of land (refer note 2).

18. Inventories

	2010 AED'000	2009 AED'000
Raw materials, work-in-progress and spares (net of provision for old and slow moving inventories)	263,418	292,451
Finished goods	44,439	59,291
Goods in transit	12,159	4,670
Properties under development for sale (net of provision for write down to net realizable value)	2,364,922	2,325,311
	2,684,938	2,681,723
Less: properties under development for sale classified as non-current (net of provision for write down to net realizable value)	(1,597,273)	(1,650,617)
	1,087,665	1,031,106
Inventories carried at net realizable value	1,597,273	1,650,617

Dubai Investments PJSC and its subsidiaries

Notes (continued)

18. Inventories (continued)

In the current year, the provision for write down of inventories to net realizable value (NRV) amounted to AED 106 million (2009: AED 203 million).

Properties under development for sale represent cost of land and expenditure incurred towards the development of properties for subsequent sale. The Group intends to develop these properties for sale and has classified certain properties as long term based on completion/future development plans.

During the previous year, based on change of use, the Group reclassified certain labour camps with a carrying value of AED 391.9 million from inventories to investment properties, at a fair valuation of AED 394 million.

Inventories amounting to AED 253 million (2009: AED 291 million) are mortgaged against facilities obtained from a bank. In certain instances, the insurance over inventories is also assigned in favor of banks.

19. Trade receivables

Trade receivables are stated net of provision for doubtful debts amounting to AED 87.7 million (2009: AED 80.2 million). Trade receivables that are expected to be realized after twelve months from the reporting date have been classified as non-current.

Trade receivables amounting to AED 242.4 million are assigned against the facilities availed from banks as at 31 December 2010 (2009: AED 141.7 million).

20. Other receivables

	2010 AED'000	2009 AED'000
<i>Non - current</i>		
Capital advance	53,058	54,587
Other long term assets	8,907	2,267
	<u>61,965</u>	<u>56,854</u>
<i>Current</i>		
Other receivables and prepayments (refer note (a) below)	905,848	899,483
	<u>905,848</u>	<u>899,483</u>

This mainly includes construction work-in-progress amounting to AED 174 million (2009: AED 168 million), advances paid to suppliers amounting to AED 137 million (2009: AED 285 million) and amount receivable from DEWA of AED 172 million (2009: AED 165 million) for sub- station constructed on its behalf in Dubai Investments Park.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

21. Cash at bank and in hand

	2010 AED'000	2009 AED'000
Cash in hand	1,836	3,252
Cash at bank within UAE (current accounts)	168,114	131,499
Cash at bank outside UAE – GCC Countries (current accounts)	5,508	7,525
Short term deposits (including deposits of AED 31.54 million (2009: AED 36.52 million) under lien with a bank)	223,759	480,520
	<u>399,217</u>	<u>622,796</u>

There were no short term deposits outside UAE as at 31 December 2010 (2009: AED Nil).

22. Long-term borrowings and payables

	2010 AED'000	2009 AED'000
		Restated
Long term bank borrowings	1,228,357	1,329,556
Other payables	166,995	220,387
	<u>1,395,352</u>	<u>1,549,943</u>

The terms of the bank borrowings vary from three to ten years and are secured by a combination of corporate guarantees and mortgages over certain inventories, trade receivables, property, plant and equipment, investment properties, held for trading quoted equity securities and assignment of insurance policies over assets of the Group. Where there is a corporate guarantee, the Company's liability is mostly restricted to its percentage of equity interest in the borrowing entity and amounts to AED 1,690 million as at 31 December 2010 (2009: AED 2,715 million). Comparative figures have been restated consequent to change in accounting policy for classification of long-term lease of land following adoption of amendments to IAS 17 *Leases* (refer note 2).

23. Bank borrowings

	2010 AED'000	2009 AED'000
Bank overdraft, trust receipt loans and bills discounted	578,438	657,891
Short term loans	487,348	676,621
Current portion of long term bank borrowings	667,449	372,543
	<u>1,733,235</u>	<u>1,707,055</u>

The bank borrowings are secured by a combination of mortgages and corporate guarantees. Where there is a corporate guarantee, the Company's liability is mostly restricted to its percentage of equity interest in the borrowing entity.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

24. Trade and other payables

	2010 AED'000	2009 AED'000 Restated
Trade payables	793,769	744,846
Other payables and accrued expenses	1,022,093	1,178,649
	<u>1,815,862</u>	<u>1,923,495</u>

Comparative figures have been restated consequent to change in accounting policy for classification of long-term lease of land following adoption of amendments to IAS 17 *Leases* (refer note 2).

25. Share capital and share premium

	2010 AED'000	2009 AED'000
<i>Issued and paid up:</i>		
3,570.4 million shares of AED 1 each (2009: 3,570.4 million shares of AED 1 each)	3,570,395	3,570,395

For the year 2010, the Board of Directors has proposed a cash dividend of 6%.

In the year 1998, 5,474 unallocated shares were sold at the prevailing market price to an existing shareholder, at a premium of AED 46,000.

26. Capital reserve and treasury shares

Capital reserve comprises the net gain on sale of the Company's own shares (treasury shares) by a subsidiary of the Company. The cost of treasury shares purchased is debited to treasury shares account, which is shown as a deduction from equity. When treasury shares are sold, the amount received for the shares is also credited to this account.

27. Legal and general reserve

In accordance with the Articles of Association of entities within the Group and Article 255 of the UAE Federal Law No. 8 of 1984 (as amended), 10% of the profit for the year of the individual entities, to which the law is applicable, is to be transferred to the statutory reserve. Such transfer may be discontinued when the statutory reserve equals 50% of the paid up share capital of the respective individual entities. This reserve is non-distributable except in certain circumstances as mentioned in the above-mentioned law.

In addition, in accordance with the Articles of Association of certain entities within the Group, 10% of the profit for the year is required to be transferred to a general reserve. However, as per the Articles of Association of these entities, the transfer may be discontinued upon a resolution passed at the Ordinary General Meeting if proposed by the Board of Directors.

Accordingly, the companies within the Group, where applicable, have transferred amounts to legal and general reserve.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

28. Revaluation reserve

The Group had purchased a plot of land costing AED 5 million in 1996. In 1997, the Government of Dubai gifted another plot of land adjacent to the existing land to the Group, which was accounted for at nominal value by the Group. These plots of land were earlier revalued during 1999, 2003 and 2005 and 2009 by a professional firm of independent property valuers. As the market value of these two plots of land was higher than the carrying value as at that date, a revaluation surplus arose which had been credited to a non-distributable revaluation reserve.

During prior years, a plot of land was gifted to the Company by the Government of Dubai (refer note 12(c)) which was recorded as property, plant and equipment at a nominal value. Upon construction of an office cum residential building in 2001 on the gifted land for the purposes of leasing, the land was transferred from property, plant and equipment to investment properties at fair value in prior years. The resulting gain on fair valuation of AED 20 million was credited to a non-distributable revaluation reserve at the time of transfer.

29. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investments classified as fair value through other comprehensive income and available for sale investments. Also refer note 2 for change in accounting policy on early adoption of IFRS 9.

30. Proposed directors' fees

Proposed directors' fees amounting to AED 5 million (2009: AED 5 million), represents remuneration for attendance at meetings and compensation for professional services rendered by the Directors.

31. Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2010	2009
Profit attributable to shareholders (AED 000)	804,965	972,471
Weighted average number of shares outstanding (000s)	<u>3,570,395</u>	<u>3,570,395</u>

32. Commitments

	2010 AED'000	2009 AED'000
Capital commitments	<u>945,370</u>	<u>1,291,770</u>

These mainly include commitments for completion of Head Office building and by subsidiaries for establishing/expansion of manufacturing facilities and commitments by a joint venture towards completion of certain key district cooling projects.

33. Contingent liabilities

The Company has issued corporate guarantees for loans and advances to related and third parties by commercial banks. These guarantees are limited to AED 1,690 million (2009: AED 2,715 million).

Dubai Investments PJSC and its subsidiaries

Notes (continued)

34. Lease rentals

Leases as lessor

The Group leases out its investment property under operating lease. The minimum lease payments receivable under non-cancelable leases are as follows:

	2010 AED'000	2009 AED'000 Restated
Less than one year	335,555	353,998
Between one to five years	1,403,218	1,377,554
More than five years	2,162,570	2,352,207
	<u><u> </u></u>	<u><u> </u></u>

35. Interest in joint ventures

The Group has interest in several joint ventures (refer note 14 (d)).

Included in the consolidated financial statements are the following items that represent the Group's interest in the assets, liabilities, revenues and expenses of the joint ventures:

	2010 AED'000	2009 AED'000
Non-current assets	1,243,106	1,327,771
Current assets	336,947	434,889
Non-current liabilities	(419,408)	(432,284)
Current liabilities	(410,082)	(536,302)
	<u><u>750,563</u></u>	<u><u>794,074</u></u>
Income	500,034	624,400
Expenses	(452,746)	(482,201)
	<u><u>47,288</u></u>	<u><u>142,199</u></u>

36. Related party transactions

The Group, in the normal course of business, carries out transactions with other business enterprises that fall within the definition of related parties contained in International Accounting Standard 24. Related party transactions are entered at mutually agreed terms.

The aggregate value of significant transactions with related parties during the year was as follows:

	2010 AED'000	2009 AED'000
Rental income	-	4,991
Construction of Head office building	79,347	27,000
	<u><u> </u></u>	<u><u> </u></u>
Compensation to key management personnel, including directors is as follows:		
	2010 AED'000	2009 AED'000
Short-term benefits (including proposed Directors' fees)	15,958	16,335
Post-employment benefits	101	118
	<u><u> </u></u>	<u><u> </u></u>

Dubai Investments PJSC and its subsidiaries

Notes (continued)

37. Acquisition and disposal of a subsidiary

(i) Acquisition of subsidiaries

AED' 000

	Techno Rubber Company	Lite tech Industries LLC	Total
% acquired	51%	54%	
Purchase consideration (A)	4,172	3,506	7,678
Non-controlling interest based on their proportionate interest in the recognized amounts of the assets and liabilities of the acquiree	6,099	14,092	20,191
Fair value of the pre-existing equity interest in acquiree	-	9,191	9,191
Less:			
Fair value of assets and liabilities acquired			
- Non-current assets	(12,048)	(17,945)	(29,993)
- Current assets	(399)	(25,333)	(25,732)
- Non-current liabilities	-	11,343	11,343
- Current liabilities	-	1,300	1,300
	(12,447)	(30,635)	(43,082)
Bargain purchase gain on business acquisition	(2,176)	(3,846)	(6,022)
Cash acquired – net (B)	-	(4,428)	(4,428)
Net cash outflow (A) - (B)	4,172	(922)	3,250

- (a) The Group acquired 51% interest in Techno Rubber Company (Techno Rubber) incorporated in Kingdom of Saudi Arabia with effect from 1 July 2010. The Group's share of the results of operations of Techno Rubber from the date of acquisition upto 31 December 2010 and its financial position at that date has been included these consolidated financial statements.
- (b) During the current year, the Group increased its equity interest in Lite tech Industries LLC from 30% to 54% with effect from 23 December 2010. Lite tech Industries LLC is now a subsidiary of the Group. The Group's share of the results of operations upto the date of acquisition of further interest has been accounted for on equity accounting basis. Post conversion to subsidiary, the results and the financial position has been consolidated on a line by line basis in accordance with IAS 27. Had the acquisition been made with effect from 1 January 2010, the revenue would have increased by AED 34.58 million and profits would have increased by AED 2.3 million.

(ii) Disposal of a subsidiary

On 1st September 2010, the Group entered into a joint venture agreement with a third party, whereby, the Group transferred all assets and liabilities of a subsidiary Syscom Emirates LLC to another Group entity at book value and liquidated 50% of its stake in this subsidiary at nil consideration to the third party. Accordingly, Syscom Emirates LLC is now a joint venture entity of the Group. The dilution of the Group's stake in Syscom Emirates LLC did not have any material impact on the consolidated financial statements.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

38. Accounting estimates and judgments

Management has reviewed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The following are the critical accounting estimates and judgment used by management in the preparation of these consolidated financial statements:

Valuation of investment properties

The Group fair values its investment properties. An external, independent valuation company having the appropriate recognized professional qualification values majority of the properties annually. Note 4 contain information about the valuation methodology considered by the third party valuation company.

Valuation of real estate inventories

The Group reviews its inventories to assess any loss on account of diminution in the value of real estate inventories on a regular basis. A significant portion of the Group's inventories comprise property under development for sale. The net realizable value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Where discounted cash flows have been used to estimate net realizable values, the cash flows have been estimated by the management based on the latest information available.

Impairment on available for sale investments

The Group determines available for sale investments to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgment and is assessed for each investment separately.

Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated based on available information like financial statements, industry/sector performance etc.

Impairment of intangibles and other assets (including goodwill)

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (refer accounting policy on impairment). Testing for impairment requires management to estimate the recoverable amount of the cash generating unit to which the goodwill is allocated.

Furthermore, other intangibles such as patents, trademarks etc which have limited useful life and other assets such as property, plant and equipment are tested for impairment whenever there is an indication of impairment. Testing for impairment of these assets requires management to estimate the recoverable amount of the cash generating unit.

Dubai Investments PJSC and its subsidiaries

Notes *(continued)*

38. Accounting estimates and judgments *(continued)*

Contract revenue

Revenue from contracts is recognized in the income statement when the outcome of the contract can be reliably estimated. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Contingency provisions in project accruals

In order to recognize cost of properties sold, management needs to make an estimate of the total cost of the project considering the fact that all the project accounts may not be finalized as at the reporting date. These contingency provisions are initially made as a percentage of the total anticipated project cost and later adjusted based on judgment as the project progresses.

Other estimates and judgments

Management of the Group exercises significant judgment in estimating the recoverability of trade receivables.

It is reasonably possible based on existing knowledge that the current assessment and judgments used by management as discussed above, could be subject to material adjustment in the next financial year due to changes in estimates and assumptions underlying such assessments. Should these estimates and underlying assumptions vary, the income statement and statement of financial position in the following years could be significantly impacted.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 AED'000	2009 AED'000 Restated
Investments	616,271	397,739
Long term rent receivable	136,554	159,520
Long term finance lease receivable	25,766	201,238
Trade receivables	1,453,849	1,254,159
Other receivables	777,755	616,379
Cash at bank	397,381	619,544
Carrying amount	<u>3,407,576</u>	<u>3,248,579</u>

The maximum exposure to credit risk for trade receivables and finance lease receivables at the reporting date by geographic region was:

	2010 AED'000	2009 AED'000 Restated
Domestic	1,279,327	1,289,105
Other GCC countries	115,402	107,700
Other regions	84,886	58,592
	<u>1,479,615</u>	<u>1,455,397</u>

The maximum exposure to credit risk for trade receivables and finance lease receivables at the reporting date by type of customer was:

	2010 AED'000	2009 AED'000 Restated
Contracting	546,038	421,943
Real estate	451,274	569,446
Others	482,303	464,008
	<u>1,479,615</u>	<u>1,455,397</u>

The age of trade receivables at the reporting date was:

	2010 Gross AED'000	2010 Impairment AED'000	2009 Gross AED'000	2009 Impairment AED'000
Current 0-30 days	178,438	-	372,135	(1,519)
31-90 days	228,509	-	286,890	(2,264)
91 - 180 days	195,290	(610)	117,371	(3,723)
180 - 365 days	206,480	(10,116)	447,618	(27,631)
More than one year	732,821	(76,963)	110,342	(45,060)
	<u>1,541,538</u>	<u>(87,689)</u>	<u>1,334,356</u>	<u>(80,197)</u>

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Financial instruments (continued)

Credit risk (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 AED'000	2009 AED'000
Balance at 1 January	80,197	23,420
Impairment loss recognized	12,682	58,933
Impairment loss reversed/write-offs	(5,190)	(2,156)
Balance at 31 December	87,689	80,197

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off.

The Group limits its exposure to credit risk by investing with counterparties that have credible market reputation. The Group's management does not expect any counterparty to fail to meet its obligations.

Cash is placed with local and international banks of good repute.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2010

<i>In AED '000</i>	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	2,961,592	(3,287,682)	(1,842,422)	(535,664)	(574,181)	(335,415)
Trade and other payables	1,815,862	(1,815,862)	(1,815,862)	-	-	-
Other long term liabilities	166,995	(173,776)	-	(128,746)	(15,298)	(29,732)
<i>Derivative financial liabilities</i>						
Interest rate swaps	14,098	(14,098)	(14,098)	-	-	-
	4,958,547	(5,291,418)	(3,672,382)	(664,410)	(589,479)	(365,147)

31 December 2009

<i>In AED '000</i>	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	3,036,611	(3,267,868)	(1,772,770)	(718,026)	(684,807)	(92,265)
Trade and other payables	1,932,583	(1,932,583)	(1,932,583)	-	-	-
Other long term liabilities	220,387	(227,043)	-	(224,053)	(1,794)	(1,196)
<i>Derivative financial liabilities</i>						
Interest rate swaps	8,893	(8,893)	(3,880)	(3,065)	(1,948)	-
	5,198,474	(5,436,387)	(3,709,233)	(945,144)	(688,549)	(93,461)

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Financial instruments (continued)

Market risk

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk is as follows based on notional amounts:

	2010 Euro'000	2009 Euro'000
Trade and other receivables	2,325	5,402
Cash at bank	24	2,480
Trade and other payables	(4,185)	(5,691)
	<u>-----</u>	<u>-----</u>
Gross exposure	(1,836)	2,191
Forward exchange contracts	414	(6,858)
	<u>-----</u>	<u>-----</u>
Net exposure	<u><u>(1,422)</u></u>	<u><u>(4,667)</u></u>

The following exchange rates were applied during the year:

	Average rate		Spot rate	
	2010 AED	2009 AED	2010 AED	2009 AED
Euro	<u><u>4.86</u></u>	<u><u>5.26</u></u>	<u><u>4.87</u></u>	<u><u>5.27</u></u>

Sensitivity analysis

A limited fluctuation of AED against Euro at 31 December would not have any material impact on the Group's consolidated income statement.

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities. The Group manages its exposure arising due to fluctuations in interest rates by the use of derivative instruments when appropriate.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2010 AED'000	2009 AED'000
Fixed rate instruments		
Financial assets - fixed rate instruments	223,759	480,520
Financial liabilities	-	(1,515)
	<u>=====</u>	<u>=====</u>
Variable rate instruments		
Financial liabilities	<u><u>(2,961,592)</u></u>	<u><u>(3,035,096)</u></u>

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through the income statement, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect the income statement.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

Effect in AED'000	Profit or (loss)	
	100 bp increase	100 bp decrease
31 December 2010	(29,616)	29,616
31 December 2009	(30,351)	30,351
	=====	=====

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

Dubai Investments PJSC and its subsidiaries

Notes (continued)

39. Financial instruments (continued)

Market risk (continued)

31 December 2010	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through profit or loss	381,163	598,875	231,615	1,211,653
Financial assets at fair value through other comprehensive income	-	-	546,880	546,880
	<u>381,163</u>	<u>598,875</u>	<u>778,495</u>	<u>1,758,533</u>

There were no transfers between Level 1, 2 and 3 during the year.

31 December 2009	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets held for trading	329,374	-	-	329,374
Financial assets designated as fair value through income statement	-	590,036	-	590,036
Available for sale financial assets	131,303	-	861,565	992,868
	<u>460,677</u>	<u>590,036</u>	<u>861,565</u>	<u>1,912,278</u>

Reconciliation of Level 3 fair values measurements of financial assets

	2010 AED'000	2009 AED'000
Opening balance	861,565	860,177
Purchase during the year	6,160	1,388
Sold during the year	(44,230)	-
Net change in fair value of investments at fair value through OCI	(45,000)	-
Closing balance	<u>778,495</u>	<u>861,565</u>

On sale of investments from level 3 category, profit of AED 14.6 million (2009: AED nil) has been recognized in the consolidated income statement.

The Group has early adopted IFRS 9 with the date of initial application of 31st December 2010. Classification of financial assets has been changed consequently (refer note 2).

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying value as at the reporting date.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

40. Segment reporting

The Group has broadly four reportable segments as discussed below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they required different strategies. The following summary describes the operation in each of the Group's reportable segments:

<i>Manufacturing and contracting</i>	: manufacture and sale of materials used in building construction projects, executing construction contracts, production, pharmaceuticals, aluminum extruded products and laboratory furniture.
<i>FMCG</i>	: production and distribution of dairy products.
<i>Investments</i>	: strategic minority investments in start up ventures and IPO's, bonds, funds and shares held for trading purposes.
<i>Property</i>	: the development of real estate projects for rentals and sale of developed property units.

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are few transactions between the segments and any such transaction is priced on arm's length basis.

Dubai Investments PJSC and its subsidiaries

Notes (continued)

40. Segment reporting (continued)

Operating segments

Information about reportable segments

	Manufacturing and contracting		FMCG		Investments		Property		Elimination of inter segment transactions		AED'000 Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Business Segments												
Revenue (including sale of properties)	1,966,231	1,921,647	103,729	106,639	382,283	451,769	719,657	964,807	(333,871)	(408,146)	2,838,029	3,036,716
Finance income and other income	36,110	27,565	2,282	2,264	84,288	145,533	31,428	87,732	(56,683)	(43,298)	97,425	219,796
Finance expenses	(114,167)	(151,978)	(1,202)	(3,796)	(24,659)	(15,968)	(88,876)	(107,779)	56,683	44,679	(172,221)	(234,842)
Gain on fair valuation of investment properties	-	-	-	-	-	-	618,898	709,459	-	-	618,898	709,459
Reportable segment profit	43,475	(17,015)	1,822	4,039	392,115	473,940	732,856	888,729	(324,451)	(315,140)	845,817	1,034,553
Reportable segment assets	4,175,802	4,221,135	77,670	121,723	5,861,986	5,728,715	7,492,094	7,071,483	(3,475,680)	(3,322,086)	14,131,872	13,820,970
Reportable segment liabilities	3,087,382	3,558,281	37,101	85,441	811,068	663,108	2,481,146	2,593,385	(1,472,248)	(1,719,722)	4,944,449	5,180,493

The Group's revenue is mainly earned from transaction carried out in UAE and other GCC countries.