EMAAR PROPERTIES PJSC AND ITS SUBSIDIARIES

Reports and Consolidated Financial Statements
For the year ended 31 December 2011

Emaar Properties PJSC and its Subsidiaries

Reports and Consolidated Financial Statements
For the year ended 31 December 2011

Table of Contents

DIRECTORS' REPORT

The Board of Directors of Emaar Properties PJSC (the "Company") and its Subsidiaries (the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as at 31 December 2011 and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2011.

Principal activities

The principal activities of the Group during the year ended 31 December 2011 were property investment and development, shopping malls and retail, hospitality, property management and utility services, and investment in providers of financial services.

Financial results

The Group has recorded a net profit of AED 1,794 million for the year ended 31 December 2011 (2010: AED 2,448 million).

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law No. 8 of 1984, as amended, an appropriation of AED 179 million is made to a general reserve from the distributable profit of AED 1,794 million.

The transfer to statutory reserve has been suspended as the reserve has reached 50% of the paid up share capital.

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

The balance of the distributable profit of AED 1,006 million after considering appropriation to general reserve and proposed dividend (subject to approval of the shareholders at the Annual General Meeting) will be transferred to retained earnings.

Total shareholders' funds as at 31 December 2011 amount to AED 31,308 million (2010: AED 31,069 million).

Outlook for 2012

The Group's strategy for 2012 is to further increase the share of revenues from global operations and enhance the proportion of profit from recurring revenue streams, including shopping malls & retail and hospitality & leisure. The Group is expected to continue with handover of projects in key international markets primarily Egypt, Lebanon and Saudi Arabia, building on the success of the Group's strategy of geographical diversification in emerging markets.

The launch of Dawahi Development is a demonstration of the Group's renewed growth strategy, where the Group is looking at developing value housing projects to address the demand for mid-price point housing in emerging markets, while also creating new jobs for the region's youth.

The Group will draw on its project execution capabilities and continue to focus on creating long-term value for its stakeholders.

Directors

H.E. Mohamed Ali Alabbar	(Chairman)
Mr. Hussain Al Qemzi	(Vice Chairman)
H.E. Dr. Lowai Mohamed Belhoul	(Director)
Mr. Majid Saif Al Ghurair	(Director)
Mr. Ahmed Jamal Jawa	(Director)
Mr. Khalifa Aldaboos	(Director)
Mr. Saeed Ahmad Al Tayer	(Director)
Mr. Ahmad Thani Al Matrooshi	(Director)

Auditors

Deloitte and Touche (M.E.) were appointed as external auditors of the Group for the year ended 31 December 2011. The Board of Directors has recommended Ernst and Young as the auditors for 2012 for approval by the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Mohamed Ali Alabbar
Chairman
Dubai, United Arab Emirates
19 March 2012

Deloitte.

Deloitte & Touche (M.E.)
1001 City Tower 2
Sheikh Zayed Road
P.O. Box 4254
Dubai, United Arab Emirates

Tel: +971(0) 4 331 3211
Fax:+971(0) 4 331 4178
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Emaar Properties PJSC
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Emaar Properties PJSC** (the "Company") **and its Subsidiaries** (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

Auditor's Responsibility

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Emaar Properties PJSC and its Subsidiaries** as at December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 15 (iv) and (v) to the consolidated financial statements regarding the Group's investment in Amlak Finance PJSC.

Other Matter

The consolidated financial statements of **Emaar Properties PJSC and its Subsidiaries** for the year ended 31 December 2010, were audited by another auditor who expressed an unqualified opinion on those statements on 20 February 2011.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account, and the information included in the Directors' Report relating to these consolidated financial statements is in agreement with the books. We obtained all the information and explanations which we considered necessary for our audit. To the best of our knowledge and belief, based on the information available to us, there were no contraventions during the year of the UAE Federal Commercial Companies Law No. 8 of 1984, as amended, or of the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations for the year.

Deloitte & Touche (M.E.)

Anis Sadek
Registration Number 521
19 March 2012

Consolidated Statement of Income
For the year ended 31 December 2011

(US$ 1.00 = AED 3.673)

	Note	2011 AED'000	2010 AED'000
Revenue	4	**8,112,332**	12,150,274
Cost of revenue	4	**(3,876,781)**	(7,603,530)
GROSS PROFIT		**4,235,551**	4,546,744
Other operating income		**173,473**	345,808
Other operating expenses		**(116,142)**	(233,203)
Selling, general and administrative expenses	5	**(1,924,680)**	(2,028,190)
Finance income	6	**392,336**	265,007
Finance costs		**(562,255)**	(355,006)
Other income		**160,249**	612,348
Share of results of associates and joint ventures	15	**(231,266)**	(430,484)
Loss on disposal of subsidiaries	7	**-**	(52,522)
Impairment of assets	12, 15	**(173,516)**	(192,052)
PROFIT BEFORE TAX		**1,953,750**	2,478,450
Income tax expense	8	**(35,809)**	(1,439)
NET PROFIT FOR THE YEAR		**1,917,941**	2,477,011
ATTRIBUTABLE TO:			
Owners of the parent		**1,793,535**	2,448,229
Non-controlling interests		**124,406**	28,782
		1,917,941	2,477,011
Earnings per share attributable to the owners of the parent:			
- basic and diluted earnings per share (AED)	28	**0.29**	0.40

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

(US$ 1.00 = AED 3.673)

	Note	***2011*** ***AED'000***	*2010* *AED'000*
Net profit for the year		**1,917,941**	2,477,011
Other comprehensive income/(loss):			
Decrease in hedging reserve	27	**(498)**	(9,173)
Increase/(decrease) in unrealised gains/(losses) reserve		**181,450**	(208,646)
Realised loss on fair value movement through other comprehensive income		**(409,921)**	(62,964)
(Decrease)/increase in foreign currency translation reserve		**(607,157)**	183,017
Other comprehensive loss for the year		**(836,126)**	(97,766)
Total comprehensive income for the year		**1,081,815**	2,379,245
ATTRIBUTABLE TO:			
Owners of the parent		**986,724**	2,353,684
Non-controlling interests		**95,091**	25,561
		1,081,815	2,379,245

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 31 December 2011

(US$ 1.00 = AED 3.673)

	Note	*2011 AED'000*	*2010 AED'000*
ASSETS			
Bank balances and cash	9	**2,865,272**	5,041,701
Trade receivables	10	**776,485**	902,022
Other assets, receivables, deposits and prepayments	11	**2,757,996**	2,854,687
Development properties	12	**26,611,285**	26,492,486
Investments in securities	13	**896,895**	694,183
Loans to associates and joint ventures	14	**3,116,627**	2,231,724
Investments in associates and joint ventures	15	**6,684,476**	7,592,088
Property, plant and equipment	16	**8,300,420**	8,539,290
Investment properties	17	**7,998,584**	8,110,081
Goodwill	18	**46,066**	46,066
TOTAL ASSETS		**60,054,106**	62,504,328
LIABILITIES AND EQUITY			
LIABILITIES			
Advances from customers	19	**8,145,142**	9,889,394
Trade and other payables	20	**8,313,847**	8,938,956
Interest-bearing loans and borrowings	21	**7,528,718**	9,410,112
Convertible notes - liability component	22	**1,771,584**	1,758,431
Sukuk	23	**1,820,509**	-
Retentions payable	24	**814,917**	1,148,904
Provision for employees' end-of-service benefits	25	**70,482**	58,500
TOTAL LIABILITIES		**28,465,199**	31,204,297
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**6,091,239**	6,091,239
Employees' performance share program		**(1,684)**	(1,684)
Reserves	27	**14,706,735**	14,924,271
Convertible notes - equity component	22	**37,155**	37,155
Retained earnings		**10,474,790**	10,017,943
		31,308,235	31,068,924
Non-controlling interests		**280,672**	231,107
TOTAL EQUITY		**31,588,907**	31,300,031
TOTAL LIABILITIES AND EQUITY		**60,054,106**	62,504,328

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

The consolidated financial statements from page 5 to 64 were authorized for issue on 19 March 2012 by the Board of Directors and signed on their behalf by:

....
Chairman

....
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2011

(US$ 1.00 = AED 3.673)

	Attributable to the owners of the parent								
	Share capital AED'000	*Treasury shares AED'000*	*Employees' performance share program AED'000*	*Reserves AED'000*	*Convertible notes - equity component AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2011 (Audited)	6,091,239	-	(1,684)	14,924,271	37,155	10,017,943	31,068,924	231,107	31,300,031
Correction of a prior period error*	-	-	-	-	-	(138,289)	(138,289)	-	(138,289)
Balance at 1 January 2011 (Restated)	6,091,239	-	(1,684)	14,924,271	37,155	9,879,654	30,930,635	231,107	31,161,742
Net profit for the year	-	-	-	-	-	1,793,535	1,793,535	124,406	1,917,941
Other comprehensive loss for the year	-	-	-	(396,890)	-	(409,921)	(806,811)	(29,315)	(836,126)
Total comprehensive (loss)/income for the year	-	-	-	**(396,890)**	-	**1,383,614**	**986,724**	**95,091**	**1,081,815**
Transfer to reserves (Note 27)	-	-	-	179,354	-	(179,354)	-	-	-
Dividend (Note 31)	-	-	-	-	-	(609,124)	(609,124)	-	(609,124)
Movement in non-controlling interests (net)	-	-	-	-	-	-	-	(45,526)	(45,526)
Balance at 31 December 2011	**6,091,239**	-	**(1,684)**	**14,706,735**	**37,155**	**10,474,790**	**31,308,235**	**280,672**	**31,588,907**

*IFRIC 15 *Agreements for the Construction of Real Estate* was issued in July 2008 and became effective on 1 January 2009. The Group had reviewed the impact of IFRIC 15 on revenue recognition in each of the jurisdictions in which it operates and using the guidelines of the Interpretation, the Group had determined the appropriate accounting policy for revenue recognition for each jurisdiction. Accordingly, in 2009, the Group had restated the Retained Earnings as at 1 January 2009 as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for the effect of adoption of IFRIC 15 on all revenue recognized prior to 1 January 2009. During 2011, the management identified certain errors in the computation of the restated amounts with an impact of AED 138 million on the prior years retained earnings. In order to correct this error, the Group has adjusted its opening retained earnings as at 1 January 2011 and corresponding adjustments have been made to Development Properties and Advances from Customers as disclosed in Notes 12 and 19 to the consolidated financial statements, respectively.

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2011

(US$ 1.00 = AED 3.673)

	Attributable to the owners of the parent								
	Share capital AED'000	*Treasury shares AED'000*	*Employees' performance share program AED'000*	*Reserves AED'000*	*Convertible notes - equity component AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total equity AED'000*
Balance at 1 January 2010	6,091,239	(1,113)	(1,684)	14,711,373	-	7,877,501	28,677,316	201,692	28,879,008
Net profit for the year	-	-	-	-	-	2,448,229	2,448,229	28,782	2,477,011
Other comprehensive loss for the year	-	-	-	(31,581)	-	(62,964)	(94,545)	(3,221)	(97,766)
Total comprehensive (loss)/income for the year	-	-	-	(31,581)	-	2,385,265	2,353,684	25,561	2,379,245
Transfer to reserves (Note 27)	-	-	-	244,823	-	(244,823)	-	-	-
Sale of treasury shares (Note 26)	-	1,113	-	(344)	-	-	769	-	769
Convertible notes - equity component (Note 22)	-	-	-	-	37,155	-	37,155	-	37,155
Movement in non-controlling interests (net)	-	-	-	-	-	-	-	3,854	3,854
Balance at 31 December 2010	6,091,239	-	(1,684)	14,924,271	37,155	10,017,943	31,068,924	231,107	31,300,031

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

(US$ 1.00 = AED 3.673)

	Note	*2011* *AED'000*	*2010* *AED'000*
Cash flows from operating activities			
Profit before tax		**1,953,750**	2,478,450
Adjustments for:			
Share of results of associates and joint ventures	15	**231,266**	430,484
Depreciation	5	**762,479**	804,616
Provision for employees' end-of-service benefits, net	25	**11,982**	11,566
Gain on disposal of investment properties	17	**-**	(379,022)
Gain on disposal of property, plant and equipment	16	**(1,272)**	(15,527)
Finance cost		**562,255**	355,006
Finance income	6	**(392,336)**	(265,007)
Impairment of assets/provision for doubtful debts/write off		**264,193**	308,393
Loss on disposal of subsidiaries	7	**-**	52,522
Cash from operations before working capital changes:		**3,392,317**	3,781,481
Trade receivables	10	**70,388**	(44,859)
Other assets, receivables, deposits and prepayments	11	**172,494**	271,988
Development properties, net	12	**(41,088)**	2,952,928
Advances from customers, net	19	**(1,806,474)**	(5,998,670)
Trade and other payables	20	**(681,295)**	(490,263)
Retentions payable	24	**(333,987)**	(11,402)
Income tax, net	8	**(13,679)**	3,131
Net cash from operating activities		**758,676**	464,334
Cash flows from investing activities			
Purchase of securities	13	**(450,233)**	(9,812)
Proceeds from disposal of securities	13	**26,438**	12,894
Proceeds from disposal of subsidiaries	7	**-**	405,957
Finance income received	6	**279,669**	176,741
Dividend received from associates and joint ventures	32 (c)	**51,304**	2,435
Additional investments in and loans to associates and joint ventures, net	14, 15	**(1,133,393)**	(352,490)
Amounts incurred on investment properties	17	**(17,984)**	(8,815)
Purchase of property, plant and equipment	16	**(407,931)**	(769,977)
Proceeds from sale of property, plant and equipment	16	**50,864**	48,500
Proceeds from sale of investment properties	17	**-**	557,967
Deposits maturing after three months (including deposits under lien)	9	**1,482,496**	(2,861,532)
Net cash used in investing activities		**(118,770)**	(2,798,132)
Cash flows from financing activities			
Dividend paid	31	**(588,302)**	(1,208)
Proceeds from interest-bearing loans and borrowings	21	**883,877**	2,488,998
Repayment of interest-bearing loans and borrowings	21	**(2,765,271)**	(1,672,470)
Proceeds from issuance of convertible notes	22	**-**	1,836,500
Proceeds from issuance of sukuk	23	**1,836,500**	-
Proceeds on sale of treasury shares	26	**-**	769
Funds invested by non-controlling interests, net		**(45,526)**	3,698
Finance cost paid		**(613,874)**	(397,230)
Net cash (used in)/from financing activities		**(1,292,596)**	2,259,057
Decrease in cash and cash equivalents		**(652,690)**	(74,741)
Net foreign exchange difference		**(41,243)**	(11,925)
Cash and cash equivalents at the beginning of the year	9	**1,773,492**	1,860,158
Cash and cash equivalents at the end of the year	9	**1,079,559**	1,773,492

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements.

1 DOMICILE AND ACTIVITIES

Emaar Properties Public Joint Stock Company (the "Company" or the "Parent") was established as a public joint stock company by Ministerial Decree number 66 in the year 1997. The Company was established on 23 June 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group (the "Group"). The Company's registered office is at P.O. Box 9440, Dubai, United Arab Emirates (UAE). The shares of the Company are traded on the Dubai Financial Market.

The principal activities of the Group are property investment and development, shopping malls and retail, hospitality, property management and utility services and investment in providers of financial services.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated. Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency.

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

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

Subsidiary Companies
Subsidiary companies are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Share of losses within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of income; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate.

Details of the Company's significant subsidiaries as at 31 December 2011 are as follows:

Subsidiary	Place of incorporation	Principal activities	Percentage of beneficial interest
Emaar Malls Group LLC	UAE	Retail development, management of shopping centre, and leisure and entertainment activities	100.00%
Emaar Hospitality Group LLC	UAE	Providing hospitality services	100.00%
Emaar Properties Gayrimenkul Gelistirme Anonim Sirketi	Republic of Turkey ("Turkey")	Property investment and development	100.00%
Emaar Libadiye Gayrimenkul Gelistirme A.S.	Republic of Turkey ("Turkey")	Property investment and development	100.00%
Emaar Misr for Development SAE	Arab Republic of Egypt ("Egypt")	Property investment and development	100.00%
Hamptons International Dubai LLC	UAE	Property management services	100.00%
Manarat Al Manzil	Kingdom of Saudi Arabia ("KSA")	Property investment and development	92.20%
Emaar Middle East LLC	Kingdom of Saudi Arabia ("KSA")	Property investment and development	61.00%
Emaar IGO S.A.	Syrian Arab Republic ("Syria")	Property investment and development	60.00%

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES AND ASSUMPTIONS

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

Revenue recognition for real estate units
In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of real estate units as set out in IAS 18 *Revenue*, IFRIC 15 *Agreements for the Construction of Real Estate* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the real estate units.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Revenue recognition for leases

Lease income from operating leases is recognized in the consolidated statement of income in accordance with the terms of the lease contracts with the tenants over the lease term as management is of the opinion that this method is more representative of the time pattern in which benefits are derived from the leased asset.

Revenue recognition for turnover rent

The Group recognizes income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

Classification of investment properties

The Group determines whether a property qualifies as investment property in accordance with IAS 40 *Investment Property*. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. The Group has determined that hotels and serviced apartment buildings owned by the Group are to be classified as part of property, plant and equipment rather than investment properties since the Group also operates these assets.

Transfer of real estate assets from property, plant and equipment to development properties

The Group sells real estate assets in its ordinary course of business. When the real estate assets which were previously classified as property, plant and equipment are identified for sale in the ordinary course of business, then the assets are transferred to development properties at their carrying value at the date of identification and become held for sale. Sale proceeds from such assets are recognized as revenue in accordance with IAS 18 *Revenue*.

Operating lease commitments - Group as lessor

The Group has entered into commercial and retail property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortized cost. In judging whether investments in securities are classified as at fair value or amortized cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments*.

Estimations and assumptions

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Useful lives of property, plant and equipment and investment properties
The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management is of the opinion that the useful lives differ from previous estimates.

Cost to complete projects
The Group estimates the cost to complete projects in order to determine the cost attributable to revenue being recognized. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

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

Taxes
The Group is subject to income and capital gains taxes in certain jurisdictions. Significant judgment is required to determine the total provision for current and deferred taxes.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and revised Standards and Interpretations effective from the current year

The following new and revised standards and interpretations have been adopted in the current year with no material impact on the disclosures and amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 24 *Related Party Disclosures* modify the definition of a related party and simplify disclosures for government-related entities.
- Amendments to IAS 32 *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement.* The amendments correct an unintended consequence of IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised Standards and Interpretations effective from the current year (continued)

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in the consolidated statement of income.
- Improvements to IFRSs issued in 2010 - Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS 34; IFRIC 13.

New and revised IFRSs in issue but not yet effective

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

	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Disclosures - Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.	1 July 2011
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 *Separate Financial Statements**, IAS 28 *Investments in Associates* and IAS 31 *Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates* and IAS 31 *Joint Ventures** have been amended for the issuance of IFRS 11.	1 January 2013
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IFRSs in issue but not yet effective (continued)

	Effective for annual periods beginning on or after
• Amendments to IAS 1 - *Presentation of Items of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Amendments to IAS 12 *Income Taxes* provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	1 January 2012
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management is in the process of assessing the impact of the Standards and Interpretations in issue but not yet effective. However, management anticipates that the adoption of these Standards and Interpretations in future years will not have material impact on the consolidated financial statements of the Group in the period of initial application.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the consolidated statement of income as follows:

Sale of property

The Group recognizes revenue when it is probable that the economic benefits from the sale will flow to the Group, the revenue and costs can be measured reliably and the risks and rewards of ownership of the property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

In jurisdictions where the Group transfers risks and rewards of ownership of the property in its entirety at a single point of time, revenue and the associated costs are recognized at that point of time. Although this trigger is determined by reference to the sales contract and the relevant local laws, and so may differ from transaction to transaction, in general the Group determines the point of recognition to be the time at which the buyer is entitled to take possession of the property.

In jurisdictions where the Group transfers to the buyer the control and the significant risks and rewards of ownership of the work-in-progress in its current state as the work progresses, the revenues and related costs of development are recognized on a progressive basis using the percentage of completion method.

Lease to buy scheme

Sales under the lease to buy scheme are accounted for as follows:

- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase;
- When the lessee exercises its option to purchase, a sale is recognized in accordance with the revenue recognition policy for sale of property as stated above; and
- When recognising the sale, revenue is the amount payable by the lessee at the time of exercising the option to acquire the property.

Lease of investment property

Rental income from investment properties is recognized, net of discount, on an annual basis based on a systematic approach as per the contractual revenue to be recognized for year.

Interest income

Interest income is recognized as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Hospitality revenue

Revenue from hotel accommodation, food and beverages and other related services are recognized, net of discount and municipality fees, at the point at which the services are rendered.

Services

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax
Taxation is provided in accordance with the relevant fiscal regulations of the countries in which the Group operates.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted as at the reporting date, and any adjustments to the tax payable in respect of prior years.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted as at the reporting date.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Leasehold improvements	2 - 15 years
Sales centers (included in land and buildings)	1 - 5 years
Buildings	10 - 45 years
Computers and office equipment	2 - 5 years
Plant, machinery and heavy equipment	3 - 20 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 10 years
Leisure, entertainment and other assets	2 - 25 years

No depreciation is charged on land and capital work-in-progress. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property, plant and equipment in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognized in the prior years are recorded when there is an indication that the impairment losses recognized for the property, plant and equipment no longer exist or have reduced.

Investment properties
Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	10 - 45 years
Furniture and fixtures	4 - 10 years

No depreciation is charged on land.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Properties are transferred from investment properties to development properties when, and only when, there is a change in use, evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of investment property's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment property in an arm's length transaction less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognized in the prior years is recorded when there is an indication that the impairment losses recognized for the investment property no longer exist or have reduced.

Development properties
Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realizable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development properties (continued)
Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of development properties recognized in the consolidated statement of income on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The management reviews the carrying values of the development properties on an annual basis.

Investment in associates
The Group's investments in its associates are accounted for using the equity method of accounting. Goodwill relating to the associates is included in the carrying amount of the investment and is not amortized or separately tested for impairment. Where there has been a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the interest in the associate.

The share of result of associates is shown on the face of the consolidated statement of income. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

Interest in joint ventures
The Group has interests in joint ventures which are jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which the venturer has an interest. The Group recognizes its interest in the joint ventures using the equity method until the date on which the Group ceases to have joint control over the joint venture. The interest in the joint venture is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the joint venture, less any impairment in value. The consolidated statement of income reflects the Group's share of the results of its joint ventures.

The financial statements of the joint ventures are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Hedge accounting

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the consolidated statement of income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to the consolidated statement of income from that date.

Cash flow hedges

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

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

Financial assets

All financial assets are recognized and derecognized on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through other comprehensive income or profit or loss, which are initially measured at fair value. All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

Classification of financial assets
For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32: *Financial Instruments: Presentation*) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Equity investments
All financial assets that are equity investments are measured at fair value either through other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 - Phase 1 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments is not recycled. Dividend income for all equity investments is recorded through the consolidated statement of income.

Debt instruments
Debt instruments are also measured at fair value through profit or loss unless they are classified at amortized cost. They are classified at amortized cost only if:

- the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade receivables
Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired,
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement,
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of non-financial assets

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

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial liabilities and equity instruments issued by the Group
Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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

Compound instruments
The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-compound instruments to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the compound instruments.

Trade and other payables
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Sukuk

The sukuk are stated at amortized cost and it increases as the present value of the profit payments and redemption amount increases, with a corresponding charge to finance cost. Profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at fair value on the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

End-of-service benefits

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

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

Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

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

Share based payment transactions

Employees (including senior executives) of the Group also receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions"). The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity settled transactions with employees is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Under the Company's policy, awards, which represent the right to purchase the Company's ordinary shares at par, are allocated to eligible employees (including executive directors) of the Company.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations
The consolidated financial statements are presented in AED which is the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than AED are translated into AED at the rate of exchange ruling at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The differences arising on the translation are taken directly to the consolidated statement of comprehensive income. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that entity is recognized in the consolidated statement of income.

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

Fair values
For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Treasury shares
Treasury shares are the Company's own shares that have been issued and were subsequently repurchased by the Company and not reissued or cancelled. These shares are accounted for using the cost method. Under the cost method the average cost of the share repurchased is shown as deduction from the total shareholders' equity. When these shares are reissued, gains or losses are credited/ debited to a separate capital reserve in shareholders' equity, which is non-distributable. No cash dividends are paid on these shares.

3 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

3 SEGMENT INFORMATION (continued)

Business segments
For management purposes, the Group is organized into three major segments, namely, real estate (develop and sell condominiums, villas, commercial units and plots of land), leasing and related activities (develop, lease and manage malls, retail, commercial and residential spaces) and hospitality (develop, own and/or manage hotels, serviced apartments and leisure activities). Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments*. These businesses are property management and utility services and investments in providers of financial services.

Revenue from sources other than property sales, leasing and related activities and hospitality are included in other operating income.

Geographic segments
The Group is currently developing a number of international business opportunities outside the UAE that will have a significant impact in future years.

The domestic segment includes business activities and operations in the UAE and the international segment includes business activities and operations outside the UAE.

Business segments
The following tables include revenue, profit/(loss), and certain assets and liabilities information regarding business segments for the years ended 31 December 2011 and 2010.

	Real estate AED'000	*Leasing and related activities AED'000*	*Hospitality AED'000*	*Others AED'000*	*Total AED'000*
2011:					
Revenue					
Revenue from external customers	4,750,766	2,137,128	1,224,438	-	8,112,332
Results					
Profit/(loss) for the year before tax	1,056,407	956,795	135,458	(194,910)	1,953,750
Assets and liabilities					
Segment assets	42,848,971	9,652,621	4,864,222	2,688,292	60,054,106
Segment liabilities	25,645,601	2,249,630	511,973	57,995	28,465,199
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	72,982	104,827	244,463	3,643	425,915
Depreciation (property, plant and equipment and investment properties)	123,706	416,200	192,450	30,123	762,479

3 SEGMENT INFORMATION (continued)

Business segments (continued)

	Real estate AED '000	*Leasing and related activities AED '000*	*Hospitality AED '000*	*Others AED '000*	*Total AED '000*
2010:					
Revenue					
Revenue from external customers	9,269,980	1,900,680	979,614	-	12,150,274
Results					
Profit/(loss) for the year before tax	2,044,783	805,796	(59,134)	(312,995)	2,478,450
Assets and liabilities					
Segment assets	44,916,460	9,795,684	4,815,405	2,976,779	62,504,328
Segment liabilities	27,659,051	2,808,168	621,489	115,589	31,204,297
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	76,298	80,957	575,358	46,179	778,792
Depreciation (property, plant and equipment and investment properties)	164,755	404,274	179,828	55,759	804,616

Geographic segments

The following tables include revenue and certain asset and liability information regarding geographic segments for the years ended 31 December 2011 and 2010.

	Domestic AED'000	***International AED'000***	***Total AED'000***
2011:			
Revenue			
Revenue from external customers	**6,684,128**	**1,428,204**	**8,112,332**
Assets			
Segment assets	**34,690,788**	**18,678,842**	**53,369,630**
Investments in associates and joint ventures	**1,572,459**	**5,112,017**	**6,684,476**
Total assets	**36,263,247**	**23,790,859**	**60,054,106**
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	**225,041**	**200,874**	**425,915**

3 SEGMENT INFORMATION (continued)

Geographic segments (continued)

	Domestic AED'000	*International AED'000*	*Total AED'000*
2010:			
Revenue			
Revenue from external customers	11,177,556	972,718	12,150,274
Assets			
Segment assets	38,166,215	16,746,025	54,912,240
Investments in associates and joint ventures	1,868,880	5,723,208	7,592,088
Total assets	40,035,095	22,469,233	62,504,328
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	715,621	63,171	778,792

4 REVENUE AND COST OF REVENUE

	2011 AED'000	*2010 AED'000*
Revenue		
Revenue from property sales		
Sale of condominiums	**1,112,640**	7,561,481
Sale of villas	**958,738**	517,271
Sale of commercial units, plots of land and others	**2,679,388**	1,191,228
Revenue from hospitality	**1,224,438**	979,614
Rental income from leased properties and related income	**2,137,128**	1,900,680
	8,112,332	12,150,274
Cost of revenue		
Cost of revenue from property sales		
Cost of condominiums	**771,522**	5,461,462
Cost of villas	**653,141**	324,818
Cost of commercial units, plots of land and others	**1,195,643**	784,931
Operating cost of hospitality	**734,043**	627,699
Operating cost of leased properties	**522,432**	404,620
	3,876,781	7,603,530

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2011 *AED'000*	*2010* *AED'000*
Payroll and related expenses	**352,316**	389,394
Sales and marketing expenses	**195,501**	200,629
Depreciation of property, plant and equipment (Note 16)	**442,592**	493,065
Depreciation of investment properties (Note 17)	**319,887**	311,551
Property management expenses	**236,950**	148,985
Land registration fees	**37,641**	54,518
Provision for doubtful debts/write off	**90,677**	116,341
Pre-operating expenses	**15,572**	48,380
Other expenses	**233,544**	265,327
	1,924,680	2,028,190

6 FINANCE INCOME

	2011 *AED'000*	*2010* *AED'000*
Finance income on fixed deposits with banks	**109,064**	65,154
Other finance income	**283,272**	199,853
	392,336	265,007

7 DISPOSAL OF SUBSIDIARIES

Disposal of Hamptons Group Limited

On 24 August 2006 (the acquisition date), the Group acquired 100% of the voting shares of Hamptons Group Limited ("HGL"), an estate agency and property services consultant, an unlisted limited liability company, headquartered in London, United Kingdom (UK), for a purchase consideration of AED 560,882 thousands (GBP 82,000 thousands). On the acquisition date, the Group had recorded goodwill amounting to AED 427,724 thousands.

Since acquisition, the Group expanded the Hamptons' estate agency and property services portfolio to the Middle East and North Africa (MENA) region by commencing operations in UAE, Egypt and Morocco and further consolidated the existing Hamptons operations in Oman under the MENA region.

In 2010, the Group entered into an agreement (the "agreement") to transfer its rights to operate the Hamptons' international operations in UK, Europe and Asia by way of transfer of its shareholding in HGL to Countrywide, a UK based estate agency and property services Group, with effect from 1 June 2010 at a consideration of AED 428,066 thousands (GBP 77,572 thousands).

Under the terms of the agreement, the Group continues to operate Hamptons' estate agency and property services in the MENA region where it has existing or prospective businesses, while Countrywide owns the rights to operate Hamptons' international business in the UK, Europe and Asia.

On the date of the agreement, the Group had allocated the goodwill amount of AED 427,724 thousands to the cash generating units of both Hamptons' international operations and MENA region. An amount of AED 381,658 thousands was allocated to Hamptons' international operations and AED 46,066 thousands to MENA region.

7 DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Hamptons Group Limited (continued)
The operating results of HGL prior to the disposal were as follows:

	Period from 1 January 2010 to 31 May 2010 AED '000
Other operating income	126,381
Selling, general and administrative expenses	(57,705)
Other operating expenses	(60,561)
Net interest income	325
Profit before tax	8,440
Income tax expense	(437)
Net profit for the period	8,003

The following table summarizes the carrying value of net assets at the date of disposal and the loss on disposal of Hamptons' international operations:

	31 May 2010 AED '000
Assets	
Bank balances and cash	27,960
Trade receivables	87,046
Other receivables, deposits and prepayments	19,631
Property, plant and equipment	48,852
Goodwill [Note 18(i)]	381,658
Total assets	565,147
Liabilities	
Trade and other payables	83,649
Interest-bearing loans and borrowings (Note 21)	31,520
Foreign exchange translation reserve	(16,142)
Non-controlling interest	(406)
Total liabilities	98,621
Net assets disposed of	466,526
Less: Sales consideration on disposal of subsidiary	(428,066)
Loss on disposal of a subsidiary	38,460

Disposal of Raffles Campus Pte. Ltd.

In 2010, the Group recorded a net loss of AED 14,062 thousands including the write off of goodwill amounting to AED 11,667 thousands upon disposal of 100% shareholding in its subsidiary Raffles Campus Pte. Ltd., which owned and managed education business in Singapore, Vietnam and Hong Kong [Note 18(ii)].

8 INCOME TAX

	2011 *AED'000*	*2010* *AED'000*
Consolidated statement of income		
Current income tax credit/(expense), net	**4,157**	(6,416)
Deferred income tax	**(39,966)**	4,977
	(35,809)	(1,439)
Consolidated statement of financial position		
Income tax payable, balance at the beginning of the year	**17,224**	14,093
Charge for the year	**8,343**	6,416
Reversal during the year	**(12,500)**	-
Paid during the year	**(9,522)**	(3,285)
Income tax payable, balance at the end of the year (Note 20)	**3,545**	17,224

The tax expense relates to the tax payable on the profit earned by the subsidiaries, as adjusted in accordance with the taxation laws and regulations of the countries in which the subsidiaries operate.

	2011 *AED'000*	*2010* *AED'000*
The relationship between the tax expense and the accounting profit can be explained as follows:		
Accounting profit before tax	**1,953,750**	2,478,450
Effect of higher tax rates in other jurisdictions	**(8,343)**	(6,416)
Effective income tax rate	**0.43%**	0.26%

The income tax charge arises primarily from the Group's operations in the United States of America, Turkey, Morocco, India, Egypt, Pakistan, Lebanon, Oman, Italy and the United Kingdom.

9 BANK BALANCES AND CASH

	2011 *AED'000*	*2010* *AED'000*
Cash in hand	**7,907**	6,958
Current and call bank deposit accounts	**650,793**	743,997
Fixed deposits maturing within three months	**420,859**	1,022,537
Cash and cash equivalents	**1,079,559**	1,773,492
Deposits under lien (Note 21)	**400,750**	438,928
Fixed deposits maturing after three months	**1,384,963**	2,829,281
	2,865,272	5,041,701

9 BANK BALANCES AND CASH (continued)

	2011 AED'000	2010 AED'000
Bank balances and cash located:		
Within UAE	**2,412,828**	4,310,859
Outside UAE	**452,444**	730,842
	2,865,272	5,041,701

Bank balances and cash are denominated in the following currencies:

	2011 AED'000	2010 AED'000
United Arab Emirates Dirham (AED)	**2,412,828**	4,310,859
United States Dollar (USD)	**170,397**	284,844
Egyptian Pound (EGP)	**72,066**	282,581
Syrian Pound (SYP)	**20,453**	110,283
Moroccan Dirham (MAD)	**20,855**	37,081
Other currencies	**168,673**	16,053
	2,865,272	5,041,701

Cash at banks earn interest at floating rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Fixed deposits maturing after three months earn interest at rates between 1.2% and 3.6% per annum (2010: 2.5% and 4.7% per annum).

The above bank balances and cash located in UAE include an amount of AED 122,000 thousands, which are required for investment in Syrian project in accordance with related agreements.

The Company is required to maintain certain deposits/balances amounting to AED 699,796 thousands with banks in UAE for financing facilities obtained by the Group and unclaimed dividends. These deposits/balances are not under lien.

The above balances exclude accounts with balances amounting to AED 368,117 thousands (2010: AED 394,450 thousands) maintained by the Company on behalf of various interim Communities Owner Associations ("OA") in a fiduciary capacity pending their registration as legal entities and the establishment of bank accounts in the OA's name.

10 TRADE RECEIVABLES

	2011 AED'000	2010 AED'000
Amounts receivable within 12 months, net	**572,615**	711,336
Amounts receivable after 12 months, net	**203,870**	190,686
	776,485	902,022

10 TRADE RECEIVABLES (continued)

Trade receivables include AED 138,021 thousands (2010: AED 157,953 thousands) relating to sale of properties where the amounts are payable in installments and these installments are accrued but not yet due under agreed credit terms.

The above trade receivables are net of AED 127,073 thousands (2010: AED 84,814 thousands) relating to provision for doubtful debts representing management's best estimate of doubtful trade receivables which are past due for more than 90 days, all other receivables are considered recoverable.

Movement in the provision for doubtful debts during the year is as follows:

	2011 *AED'000*	*2010* *AED'000*
Balance at the beginning of the year	**84,814**	58,539
Provision made during the year	**55,149**	36,675
Reversal of provision on disposal of subsidiary	**-**	(3,221)
Allowance written off during the year	**(12,890)**	(7,179)
Balance at the end of the year	**127,073**	84,814

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

			Past due but not impaired			
	Total *AED'000*	*Neither past due nor impaired* *AED'000*	*Less than 30 days* *AED'000*	*Between 30 to 60 days* *AED'000*	*Between 60 to 90 days* *AED'000*	*More than 90 days* *AED'000*
2011	**776,485**	**327,268**	**96,014**	**96,249**	**44,025**	**212,929**
2010	902,022	420,121	101,063	34,917	88,821	257,100

11 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 *AED'000*	*2010* *AED'000*
Advances to contractors and others	**504,761**	668,477
Advances for acquisition of leasehold interest	**1,234,612**	1,234,612
Prepayments	**165,924**	99,793
Receivables from Communities Owner Associations	**173,294**	111,087
Deposits for acquisition of land	**65,164**	78,088
Value added tax recoverable	**250,043**	193,816
Accrued interest and other income receivables	**11,821**	10,527
Recoverable from non-controlling interests	**34,796**	52,914
Deferred income tax assets	**39,981**	44,794
Inventory - Hospitality and Retail business segments	**80,721**	87,230
Other receivables and deposits	**196,879**	273,349
	2,757,996	2,854,687

11 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

	2011 *AED'000*	*2010* *AED'000*
Amounts recoverable within 12 months	**1,454,564**	1,531,676
Amounts recoverable after 12 months	**1,303,432**	1,323,011
	2,757,996	2,854,687

12 DEVELOPMENT PROPERTIES

	2011 *AED'000*	*2010* *AED'000*
Balance at the beginning of the year	**26,492,486**	31,075,718
Add: cost incurred during the year	**2,661,394**	3,618,283
Add: acquisition of a subsidiary [Note 15(vii)]	**197,530**	-
Less: transferred to investment properties (Note 17)	**(119,568)**	-
Less: cost transferred to cost of revenue during the year	**(2,620,306)**	(6,571,211)
Less: correction of a prior period error	**(76,067)**	-
Add/(less): cost transferred from/(to) property, plant and equipment (Note 16)	**76,974**	(1,609,931)
Less: impairment of development properties (refer note below)	**(1,158)**	(14,780)
Less: write off of development properties	**-**	(5,593)
Balance at the end of the year	**26,611,285**	26,492,486
Development properties located:		
Within UAE	**14,297,537**	14,932,870
Outside UAE	**12,313,748**	11,559,616
	26,611,285	26,492,486

Management of the Group has assessed its development properties for impairment as at 31 December 2011. Based on the review, the Group has provided an impairment loss of AED 1,158 thousands (2010: AED 14,780 thousands) relating to excess of carrying value over the realizable value of certain international development properties.

The valuation of the Group's significant development properties is carried out by independent professionally qualified valuers. The fair value of the development properties is determined by reference to the discounted net cash flow (which depicts the residual value of the Group in the development properties, net of amount collected from sales and the cost incurred to date) and other recognized valuation techniques. Accordingly, the fair value of the development properties as at the reporting date is AED 35,391,680 thousands (2010: AED 37,733,819 thousands).

For the purpose of comparison of fair value to the carrying value of development properties, which comprise the cost incurred to date for the projects under construction and unsold inventory, the realized value from sale of the properties under construction is added to the above stated fair value in the cases where valuation is carried out using discounted cash flow method.

12 DEVELOPMENT PROPERTIES (continued)

The fair value of the development properties, including the realized value from sale of properties under construction of AED 2,334,227 (2010: AED 4,566,478 thousands), is AED 37,725,907 thousands (2010: AED 42,300,297 thousands) compared to the carrying value of AED 26,611,285 (2010: AED 26,492,486 thousands).

During the year, an amount of AED 181,939 thousands (2010: AED 217,128 thousands) was capitalized as cost of borrowings for the construction of development properties.

13 INVESTMENTS IN SECURITIES

	2011 *AED'000*	*2010* *AED'000*
Financial assets at fair value through other comprehensive income	**449,950**	694,183
Financial assets at amortized cost	**446,945**	-
	896,895	694,183
Investments in securities located:		
Within UAE	**866,328**	653,418
Outside UAE	**30,567**	40,765
	896,895	694,183

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets at fair value through other comprehensive income by valuation technique:

	Total *AED'000*	*Level 1* *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*
2011	**449,950**	**48,890**	**379,358**	**21,702**
2010	694,183	93,716	478,765	121,702

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

13 INVESTMENTS IN SECURITIES (continued)

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

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

	2011 *AED'000*	*2010* *AED'000*
Purchase/fair value at initial recognition	**432,227**	432,227
Total loss recorded in other comprehensive income	**(410,525)**	(310,525)
Balance at the end of the year	**21,702**	121,702

Financial assets at fair value through other comprehensive income include fund investments managed by an external fund manager. Equity investments are in quoted, unquoted and index linked securities.

14 LOANS TO ASSOCIATES AND JOINT VENTURES

	2011 *AED'000*	*2010* *AED'000*
Amlak Finance PJSC (i)	**594,957**	711,982
Emaar MGF Land Limited and its related parties [(ii) & (iii)]	**2,360,706**	1,320,400
Golden Ace Pte Ltd (iv)	**152,637**	145,758
Amelkis Resorts SA [Note 15 (vii)]	**-**	33,234
Other associates and joint ventures	**8,327**	20,350
	3,116,627	2,231,724

(i) The amount due from Amlak Finance PJSC ("Amlak") is unsecured and earns an average return ranging from 3.13% to 4% per annum (2010: average return ranging from 4% to 4.5% per annum).

The above loan includes AED 356,009 thousands (2010: AED 469,894 thousands) relating to a credit facility extended to Amlak in the normal course of business for settlement of installment payments relating to sale of properties, where customers have availed of a financing facility from Amlak. An amount of AED 128,937 thousands was received from Amlak as payment during the year ended 31 December 2011 (31 December 2010: AED 214,429 thousands). The Group's management believes that the loan due from Amlak is fully recoverable [also refer to Note 15(iv)].

(ii) The amounts due from Emaar MGF Land Limited ("EMGF") and its related parties are unsecured and earns a compound return of 7% to 15% per annum (2010: 4.4% to 15% per annum).

14 LOANS TO ASSOCIATES AND JOINT VENTURES (continued)

(iii) During the year, the Group paid an amount of AED 852,223 thousands (2010: AED 759,243 thousands) to the lenders towards settlement of the Fully Convertible Debenture (FCD) of the Group's associate, EMGF, against which the Group had provided a corporate guarantee. As per the regulatory requirement of India, the redemption of FCD's can only be made through accumulated profit/reserves. In the absence of adequate accumulated profits/reserves, EMGF could not redeem these FCD's on the due date.

The other promoter group of EMGF has indemnified the Group to the extent of 50% for any non recovery of such amount advanced by the Group resulting from the transaction; and the Group currently holds certain shares of the other promoter group held in EMGF as a security for such indemnification. The Group also gains rights to increase its shareholding in EMGF, if the amount paid relating to aforementioned FCDs is not repaid within a reasonable period of time.

(iv) The amount owed by Golden Ace Pte Ltd is unsecured and earns a return ranging from 4.21% to 9.53% per annum (2010: 6.36% to 9.7% per annum).

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2011 AED'000	*2010 AED'000*
Carrying value of investment in:		
Associates:		
Emaar MGF Land Limited [(i) & (ii)]	**2,694,810**	3,098,242
Emaar The Economic City (Saudi Joint Stock Company) - quoted (iii)	**2,167,581**	2,163,689
Amlak Finance PJSC - quoted [(iv) & (v)]	**723,875**	824,010
Dubai Banking Group PJSC (vi)	-	176,558
Emaar Industries and Investment (Pvt) JSC	**174,238**	185,096
Dead Sea Company for Tourist and Real Estate Investment	**137,101**	136,907
Emrill Services LLC	**19,751**	17,431
Other associates	**112,525**	112,806
	6,029,881	6,714,739
Joint Ventures:		
Emaar Bawadi LLC	**403,804**	383,494
Turner International Middle East Ltd	**250,791**	282,291
Other joint ventures (vii)	-	211,564
	654,595	877,349
	6,684,476	7,592,088

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(i) On 5 April 2006, the Group entered into an option agreement (the "agreement") with various parties (the "investors"). The agreement provided the right to the investors to require the Group to buy back the shares purchased by the investors in EMGF, in the event of an Initial Public Offering ("IPO") of EMGF not occurring within 39 months from the date of purchase of shares of EMGF, which was subsequently extended to 31 March 2010 and 30 June 2011 under the agreements dated 29 September 2009 and 29 September 2010, respectively.

Since the IPO had not occurred at 30 June 2011, the Group paid an amount of USD 70,580 thousands (AED 259,240 thousands) to buy back all the shares purchased by the investors in accordance with the agreements, subsequently, the other promoter group transferred additional shares out of its shareholding in the EMGF to the Group equivalent to 50% of the above amount paid by the Group based on the estimated share value of EMGF for the purpose of the IPO.

(ii) On 29 March 2006, the Group entered into an option agreement (the "agreement") with an investment bank (the "investor"). The agreement provided the right to the investor to require the Group to buy back all shares purchased by the investor in EMGF, in the event of an Initial Public Offering ("IPO") of EMGF not occurring within 39 months from the date of purchase of shares of EMGF, which was subsequently extended until 30 June 2010 under an agreement dated 29 September 2009.

Since the IPO had not occurred at 30 June 2010, the Group paid an amount of USD 55,832 thousands (AED 205,071 thousands) to buy back all the shares initially purchased by the investor in 2006 together with the associated costs in accordance with the agreement. Subsequently, the other promoter group transferred additional shares out of its shareholding in the EMGF to the Group equivalent to the 50% of the above amount paid by the Group based on the estimated share value of EMGF for the purpose of the IPO.

(iii) The market value of the shares held in Emaar The Economic City ("EEC") (quoted on the Saudi Stock Exchange - Tadawul) as at 31 December 2011 was AED 1,872,021 thousands (2010: AED 1,809,059 thousands).

(iv) The Governmental Committee for Amlak's affairs continues to explore the various options relating to financial restructuring of Amlak. This entails a full review and assessment of Amlak's business operations and liquidity position and providing guidance to the Amlak's management and regulators where necessary with a view to making recommendations to the UAE Government on Amlak's long term stability, liquidity, assets and liabilities management requirements. Trading in the Amlak's shares on the Dubai Financial Market has been suspended until the Governmental Committee finalises its recommendations. The Group's management is not in a position to assess its investment for any impairment pending the recommendations from the Governmental Committee.

(v) The auditors have issued a qualified conclusion on the consolidated financial statements of Amlak as of 30 September 2011 with respect to valuation of investment properties and advances for investment properties amounting to AED 3,299 million and AED 672 million respectively. Management of Amlak is of the opinion that property prices have generally declined since these assets were acquired but are unable to quantify the amount of decline in view of the limited number of transactions currently taking place in the market and accordingly continued to carry such assets at their acquisition cost.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(vi) On 16 May 2011, the Government of Dubai announced that it has taken over Dubai Banking Group PJSC (Dubai Bank) with immediate effect to protect the interest of depositors, with the support of the UAE Central Bank and the UAE Ministry of Finance. The Government announcement also stated that it will make a capital injection in Dubai Bank, which will effectively fully dilute the complete holding of its existing shareholders. On the basis of the aforementioned announcement, the management of the Group decided to impair the entire net carrying value of the Group's investment in Dubai Bank as at 31 March 2011 of AED 172,358 thousands (Impairment charged in 2010: AED 176,558 thousands).

On 11 October 2011, as per the order of the Ruler of Dubai, the Government of Dubai has announced that Dubai Bank is being merged with Emirates NBD PJSC.

(vii) On 13 September 2011, the Group entered into an agreement with its joint venture partner ("JV Partner") in Morocco with regards to its investment in joint venture companies (Amelkis Resort SA and Prestige Resorts SA) and agreed to swap its 50% share of ownership interest in Prestige Resorts SA for acquiring 100% ownership interest of Amelkis Resorts SA from its existing 50% ownership interest. The transaction was mutually settled between the Group and its JV Partner without any cash consideration. Consequently, Amelkis Resorts SA has become a fully owned subsidiary of the Group while Prestige Resorts SA ceased to be a joint venture company of the Group.

The Group has the following ownership interest in its significant associates and joint ventures:

	Country of incorporation	*Ownership*	
		2011	*2010*
Associates:			
Emaar MGF Land Limited	India	**48.86 %**	45.33%
Emaar The Economic City (Saudi Joint Stock Company)	KSA	**30.59 %**	30.59%
Amlak Finance PJSC	UAE	**48.08 %**	48.08%
Dubai Banking Group PJSC [refer above note (vi)]	UAE	-	30.00%
Emaar Industries and Investments (Pvt) JSC	UAE	**40.00 %**	40.00%
Emrill Services LLC	UAE	**33.33 %**	33.33%
Dead Sea Company for Tourist and Real Estate Investment	Jordan	**29.33 %**	29.33%
Joint Ventures:			
Emaar Bawadi LLC	UAE	**50.00 %**	50.00%
Turner International Middle East Ltd	UAE	**50.00 %**	50.00%
Prestige Resorts SA [refer above note (vii)]	Morocco	-	50.00%
Amelkis Resorts SA [refer above note (vii)]	Morocco	**100.00 %**	50.00%

The following table summarizes information of the Group's investment in associates:

	2011 AED'000	*2010 AED'000*
Group's share in assets and liabilities of its associates:		
Total assets	**17,035,685**	20,351,654
Total liabilities	**(12,737,408)**	(14,972,597)
Net assets	**4,298,277**	5,379,057
Goodwill	**1,731,604**	1,512,954
Impairment of investments in associates	-	(177,272)
	6,029,881	6,714,739

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	2011 *AED'000*	*2010* *AED'000*
Share of associates' revenues and results:		
Revenues	**799,867**	837,614
Results	**(288,761)**	(540,368)

The following table summarizes information of the Group's investment in joint ventures:

	2011 *AED'000*	*2010* *AED'000*
Group's share in assets and liabilities of its joint ventures:		
Total assets	**852,490**	2,203,461
Total liabilities	**(309,527)**	(1,483,486)
Net assets	**542,963**	719,975
Goodwill	**111,632**	157,374
	654,595	877,349
Share of joint ventures' revenues and results:		
Revenues	**114,689**	183,498
Results	**57,495**	109,884

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements AED'000	*Land and buildings AED'000*	*Computers and office equipment AED'000*	*Plant, machinery and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Leisure, entertainment and other assets AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:									
At 1 January 2011	13,200	5,598,558	202,074	829,392	46,191	577,322	936,164	1,544,626	9,747,527
Additions	276	7,676	20,033	43,817	8,986	21,600	68,057	237,486	407,931
Disposals/adjustments	(308)	(20,706)	(14,962)	(44,101)	(6,173)	(19,592)	(6,622)	(193)	(112,657)
Transfers	359,317	214,075	73	14,342	1,882	18,266	20,575	(628,530)	-
Transferred (to)/from development properties (Note 12)	-	(70,364)	(1,327)	16,512	(28)	1,521	514	(40,497)	(93,669)
Transferred to investment properties (Note 17)	-	(74,510)	-	-	-	(956)	-	(1,134)	(76,600)
Acquisition of subsidiary	-	-	4	-	-	329	1,105	52,249	53,687
Foreign currency translation differences	(902)	(33,464)	(1,611)	(11,379)	(946)	(5,344)	(1,938)	(7,189)	(62,773)
At 31 December 2011	**371,583**	**5,621,265**	**204,284**	**848,583**	**49,912**	**593,146**	**1,017,855**	**1,156,818**	**9,863,446**
Accumulated depreciation:									
At 1 January 2011	7,243	481,895	150,158	190,403	29,430	239,720	109,388	-	1,208,237
Depreciation charge for the year	5,269	187,187	34,187	67,592	8,443	65,036	74,878	-	442,592
Eliminated on disposals/adjustments	(106)	(248)	(11,540)	(7,470)	(4,381)	(16,067)	(2,996)	-	(42,808)
Transfers	(794)	4,009	311	(2,066)	285	(4,992)	3,247	-	-
Transferred to development properties (Note 12)	-	(16,695)	-	-	-	-	-	-	(16,695)
Transferred to investment properties (Note 17)	-	(5,579)	-	-	-	(183)	-	-	(5,762)
Acquisition of subsidiary	-	-	4	-	-	126	-	-	130
Foreign currency translation differences	(689)	(8,330)	(1,394)	(6,454)	(598)	(4,204)	(999)	-	(22,668)
At 31 December 2011	**10,923**	**642,239**	**171,726**	**242,005**	**33,179**	**279,436**	**183,518**	**-**	**1,563,026**
Net carrying amount:									
At 31 December 2011	**360,660**	**4,979,026**	**32,558**	**606,578**	**16,733**	**313,710**	**834,337**	**1,156,818**	**8,300,420**

During the year ended 31 December 2011, an amount of AED Nil (2010: AED 976 thousands) was capitalized as cost of borrowings for the construction of these assets.

The valuation of the Group's significant revenue generating property, plant and equipment is carried out by independent professionally qualified valuers. At 31 December 2011, the fair value of revenue generating property, plant and equipment is AED 7,709,080 thousands (2010: AED 6,787,376 thousands) compared with a carrying value of AED 5,768,563 thousands (2010: AED 5,668,587 thousands).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements AED '000	*Land and buildings AED '000*	*Computers and office equipment AED '000*	*Plant, machinery and heavy equipment AED '000*	*Motor vehicles AED '000*	*Furniture and fixtures AED '000*	*Leisure, entertainment and other assets AED '000*	*Capital work-in-progress AED '000*	*Total AED '000*
Cost:									
At 1 January 2010	43,006	3,484,866	233,956	725,997	39,683	383,835	864,874	1,829,866	7,606,083
Additions	9,589	74,249	51,768	96,170	7,214	162,957	81,113	286,917	769,977
Disposals	(4,163)	(11,018)	(10,892)	-	(404)	(10,687)	(8,174)	(9,071)	(54,409)
Transfers	-	1,082,506	(60,295)	5,340	-	56,942	(156)	(1,084,337)	-
Transferred from development properties (Note 12)	-	1,064,389	-	-	-	-	7,056	538,486	1,609,931
Transferred (to)/from investment properties (Note 17)	-	(60,272)	122	-	-	7,500	2,992	88	(49,570)
Foreign currency translation differences	(2,413)	(7,464)	4,077	1,885	(197)	(940)	(11,383)	(17,323)	(33,758)
Disposal of subsidiary	(32,819)	(28,698)	(16,662)	-	(105)	(22,285)	(158)	-	(100,727)
At 31 December 2010	13,200	5,598,558	202,074	829,392	46,191	577,322	936,164	1,544,626	9,747,527
Accumulated depreciation:									
At 1 January 2010	25,391	282,190	141,185	125,010	21,401	143,601	45,600	-	784,378
Depreciation charge for the year	7,343	207,918	50,871	64,527	8,783	79,258	74,365	-	493,065
Eliminated on disposals	(2,884)	(1,095)	(6,502)	-	(404)	(5,104)	(5,447)	-	(21,436)
Transfers	-	-	(33,861)	-	-	33,861	-	-	-
Transferred to investment properties (Note 17)	-	(3,895)	-	-	-	-	-	-	(3,895)
Foreign currency translation differences	(2,242)	(701)	1,495	866	(245)	(937)	(5,130)	-	(6,894)
Disposal of subsidiary	(20,365)	(2,522)	(3,030)	-	(105)	(10,959)	-	-	(36,981)
At 31 December 2010	7,243	481,895	150,158	190,403	29,430	239,720	109,388	-	1,208,237
Net carrying amount:									
At 31 December 2010	5,957	5,116,663	51,916	638,989	16,761	337,602	826,776	1,544,626	8,539,290

17 INVESTMENT PROPERTIES

	Land AED'000	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Total AED'000*
Cost:				
At 1 January 2011	28,097	8,814,431	3,606	8,846,134
Additions	-	17,984	-	17,984
Transferred from development properties (Note 12)	-	119,568	-	119,568
Transferred from property, plant and equipment (Note 16)	-	76,600	-	76,600
At 31 December 2011	**28,097**	**9,028,583**	**3,606**	**9,060,286**
Accumulated depreciation:				
At 1 January 2011	-	732,557	3,496	736,053
Depreciation charge for the year	-	319,777	110	319,887
Transferred from property, plant and equipment (Note 16)	-	5,762	-	5,762
At 31 December 2011	**-**	**1,058,096**	**3,606**	**1,061,702**
Net carrying amount:				
At 31 December 2011	**28,097**	**7,970,487**	**-**	**7,998,584**

	Land AED'000	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Total AED'000*
Cost:				
At 1 January 2010	28,097	8,953,815	3,606	8,985,518
Additions	-	8,815	-	8,815
Disposals	-	(197,769)	-	(197,769)
Transferred from property, plant and equipment (Note 16)	-	49,570	-	49,570
At 31 December 2010	28,097	8,814,431	3,606	8,846,134
Accumulated depreciation:				
At 1 January 2010	-	436,030	3,401	439,431
Depreciation charge for the year	-	311,456	95	311,551
Eliminated on disposals	-	(18,824)	-	(18,824)
Transferred from property, plant and equipment (Note 16)	-	3,895	-	3,895
At 31 December 2010	-	732,557	3,496	736,053
Net carrying amount:				
At 31 December 2010	28,097	8,081,874	110	8,110,081

17 INVESTMENT PROPERTIES (continued)

The valuation of the Group's investment properties is carried out by independent professionally qualified valuers. The fair value of investment properties is AED 14,505,306 thousands (2010: AED 13,265,224 thousands) compared with a carrying value of AED 7,998,584 thousands (2010: AED 8,110,081 thousands).

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

During 2010, the Group sold some of its commercial buildings for a net consideration of AED 557,967 thousands. The resulting gain is included in other income.

18 GOODWILL

	2011 *AED'000*	*2010* *AED'000*
Balance at the beginning of the year	**46,066**	439,391
Less: disposal/write off (Note 7)	-	(393,325)
Balance at the end of the year	**46,066**	46,066

(i) On 24 August 2006 (acquisition date), the Group acquired 100% of the voting shares of Hamptons Group Limited, a property management consultant, an unlisted limited liability company, headquartered in London, United Kingdom (UK). On the acquisition date, the Group had recorded a goodwill amounting to AED 427,724 thousands. This goodwill has been allocated to cash generating units based on geographical locations of the business. Accordingly, an amount of AED 381,658 thousands was allocated to Hamptons' international operations and AED 46,066 thousands to MENA region. The goodwill has been tested for impairment using a value in use model. The calculation of value in use was sensitive to the following assumptions:

Gross margins - Gross margins were based on the expectations of management based on past experience and expectation of future market conditions.

Discount rates - Discount rates reflected management's estimate of the specific risks. The discount rate was based on the risk free rate of the investment's country, market risk premium related to the industry and individual unit related risk premium/ discount. This was the benchmark used by management to assess performance and to evaluate future investment proposals. Management estimated that such discount rate to be used for evaluation of the investment should be between 9% and 11%.

Growth rate estimates - Management prepared a five year budget based on their expectations of future results, thereafter a growth rate of 0.5% to 1% was assumed.

During 2010, the Group entered into an agreement (the "agreement") to transfer its rights to operate the Hamptons' international operations in UK, Europe and Asia by way of transfer of its shareholding in HGL to Countrywide, a UK based estate agency and property services Group, with effect from 1 June 2010. Accordingly, goodwill allocated to Hamptons' international operations of AED 381,658 thousands was disposed of (Note 7).

(ii) In 2006, the Group acquired 100% of the voting shares of Raffles Campus Pte. Ltd., an education provider, and an unlisted limited liability company in Singapore. On the acquisition date, the Group had recorded a goodwill amounting to AED 11,667 thousands. During 2010, the Group has written off the goodwill upon disposal of its 100% shareholding in Raffles Campus Pte. Ltd., which owned and managed education business in Singapore, Vietnam and Hong Kong (Note 7).

19 ADVANCES FROM CUSTOMERS

	2011 *AED'000*	*2010* *AED'000*
Balance at the beginning of the year	**9,889,394**	15,888,064
Add: amount billed during the year	**5,153,575**	5,171,990
Add: correction of a prior period error	**62,222**	-
Less: revenue recognized during the year	**(6,887,894)**	(11,170,660)
Less: forfeiture income recognized during the year	**(72,155)**	-
Balance at the end of the year	**8,145,142**	9,889,394

20 TRADE AND OTHER PAYABLES

	2011 *AED'000*	*2010* *AED'000*
Project contract cost accruals and provisions	**4,637,630**	5,248,352
Other payables and accruals	**1,736,547**	1,766,603
Trade payables	**836,165**	880,816
Payable to non-controlling interests	**967,562**	949,538
Dividends payable	**96,871**	76,049
Deferred income tax payable	**35,527**	374
Income tax payable (Note 8)	**3,545**	17,224
	8,313,847	8,938,956

21 INTEREST-BEARING LOANS AND BORROWINGS

	2011 *AED'000*	*2010* *AED'000*
Balance at the beginning of the year	**9,410,112**	8,625,104
Borrowings drawn down during the year	**883,877**	2,488,998
Borrowings repaid during the year	**(2,765,271)**	(1,672,470)
Borrowings related to subsidiaries disposed (Note 7)	**-**	(31,520)
Balance at the end of the year	**7,528,718**	9,410,112
Maturing within 12 months	**5,234,446**	4,454,598
Maturing after 12 months	**2,294,272**	4,955,514
Balance at the end of the year	**7,528,718**	9,410,112
Interest-bearing loans and borrowings located:		
Within UAE	**3,842,178**	5,291,650
Outside UAE	**3,686,540**	4,118,462
	7,528,718	9,410,112

21 INTEREST-BEARING LOANS AND BORROWINGS (continued)

The Group has the following secured and unsecured interest-bearing loans and borrowings:

Secured

- Indian Rupees (INR) 804,125 thousands (AED 55,535 thousands) loan from a financial institutions, secured by way of first charge on certain property, plant and equipment and receivables in India, carries interest at benchmark rate plus 3.33% per annum. This loan is payable in quarterly instalments and fully repayable by 2016.

- Canadian Dollar (CAD) 6,220 thousands (AED 22,397 thousands) loan from a financial institution, secured against certain development properties owned by the Group in Canada, carries interest at prime rate plus 3.75% per annum and fully repayable in 2012.

- USD 303,000 thousands (AED 1,112,919 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey, carries interest at 7% per annum and is repayable in 2012. The bank issuing a stand by letter of credit facility has lien on certain cash collateral amounting to AED 367,300 thousands (Note 9).

- USD 25,000 thousands (AED 91,825 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey, carries interest at USD LIBOR plus 3.75% per annum and is repayable in 2014.

- USD 50,000 thousands (AED 183,650 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey, carries interest at 6.25% per annum and is repayable in 2012.

- USD 50,000 thousands (AED 183,650 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey, carries interest at USD LIBOR plus 3.95% per annum and is repayable in 2012.

- USD 60,000 thousands (AED 220,380 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey and a bank guarantee, carries interest at 4.50% per annum and is repayable in 2012.

- USD 60,000 thousands (AED 220,380 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey and a bank guarantee, carries interest at 4.05% per annum and is repayable in 2012.

- USD 51,177 thousands (AED 187,974 thousands) loan from a commercial bank, secured against certain property, plant and equipment owned by the Group in UAE, carries interest at USD LIBOR plus 1.85% per annum and is repayable in 2021.

- USD 17,823 thousands (AED 65,464 thousands) loan from a commercial bank, secured against certain property, plant and equipment owned by the Group in UAE, carries interest at USD LIBOR plus 1.55% per annum and is repayable in 2021.

- USD 6,543 thousands (AED 24,032 thousands) of funding facility from a financial institutions, secured against real estate owned by the Group in United States of America (USA), carries interest rate at USD LIBOR plus 4.50% per annum.

- AED 801,412 thousands of Murabaha Islamic Syndicated facility, secured against certain investment properties owned by the Group in UAE, carries profit rate at EIBOR plus 3.50% per annum and fully repayable in 2019. The bank has a lien on certain cash collaterals amounting to AED 22,500 thousands (Note 9). One of the subsidiaries of the Group has given an irrevocable undertaking to deposit the proceeds of its revenue into the specific account maintained with the financing bank.

21 INTEREST-BEARING LOANS AND BORROWINGS (continued)

Secured (continued)

- USD 8,871 thousands (AED 32,583 thousands) loan from a commercial bank, secured against certain property, plant and equipment and investment properties owned by the Group in UAE, carries interest rate at USD LIBOR plus 4.50% per annum and fully repayable by 2012.

- Pakistani Rupee (PKR) 775,000 thousands (AED 31,646 thousands) loan from a commercial bank, secured against receivables from projects in Pakistan, carries interest rate at KIBOR plus 2% per annum and is fully repayable in 2012. The bank has lien on certain cash collateral amounting to AED 10,950 thousands (Note 9).

- USD 37,743 thousands (AED 138,630 thousands) long term loan from a commercial bank, secured against certain assets in Lebanon and carries interest rate at 7.50% per annum.

Unsecured

- PKR 1,037,076 thousands (AED 42,348 thousands) loan from a commercial bank, bearing interest at KIBOR plus 1.90% per annum and fully repayable in 2012.

- PKR 372,004 thousands (AED 15,190 thousands) loan from a commercial banks, bearing interest at KIBOR plus 2% per annum and fully repayable in 2012.

- PKR 1,530,000 thousands (AED 62,476 thousands) loan from a commercial banks, bearing interest at KIBOR plus 2.25% per annum and fully repayable by 2012.

- PKR 1,807,492 thousands (AED 73,807 thousands) loan from a commercial banks, bearing interest at KIBOR plus 1.90% to 2% per annum and fully repayable by 2012.

- USD 750,000 thousands (AED 2,754,745 thousands) of Musharaka Islamic Syndicated facility ("Syndicated facility"), carries profit rate of LIBOR plus 2% per annum and fully repayable by February 2012. The Group has received the consent from the participants of the syndicated facility to refinance the Syndicated facility to the extent of USD 698,750 thousands through Commodity Murabaha Forward Start Facility ("Forward Start facility"). Subsequently, on 27 February 2012, the Group has refinanced only USD 349,375 thousands through Forward Start facility and fully settled USD 750,000 thousands of Syndicated facility. The Forward Start facility is repayable by 2014 in four semi-annual instalments from the forward start date and carries profit rate of LIBOR plus 4.5% per annum.

- Egyptian Pound (EGP) 1,001,111 thousands (AED 609,686 thousands) of funding facilities from commercial banks, carries interest rates between 12.25% to 13.75% per annum.

- USD 19,031 thousands (AED 69,901 thousands) loan from a commercial bank in Egypt, carries interest at USD LIBOR plus 3.5% per annum and is repayable in 2012.

- Saudi Riyal (SAR) 22,000 thousands (AED 21,560 thousands) of funding facility from a commercial bank carrying interest at SAIBOR plus 3% per annum and is repayable in 2012.

- USD 35,000 thousands (AED 128,555 thousands) of funding facility from a commercial bank in Turkey carries interest at 5% per annum and is repayable in 2012.

- USD 102,906 thousands (AED 377,973 thousands) of funding facility from commercial banks in Egypt, carries interest rates between 3% to 8.25% per annum and is repayable in 2012.

22 CONVERTIBLE NOTES

The Company has issued guaranteed convertible notes ("the Notes") in 2010 for USD 500,000 thousands (AED 1,836,500 thousands) through its wholly-owned subsidiary Pyrus Limited (Pyrus), a British Virgin Island incorporated company. The Notes were approved by the Company's shareholders at an Extraordinary General Meeting held on 8 November 2010. The Notes mature on 20 December 2015 and have a fixed interest rate of 7.5% per annum, to be paid quarterly. The Notes were admitted on the official list of the Luxembourg Stock Exchange (LSE) and admitted to trade on the Euro MTF market of the LSE on 20 December 2010.

The Notes issued are unconditionally and irrevocably guaranteed by the Company (the Guarantor). Each Note entitles the holder an option to convert such Note into new and/or existing shares between the period from 30 January 2011 till 25 November 2015 (final maturity date for conversion) as fully paid at a conversion price of AED 4.75 per share of the Company. Unless previously purchased and cancelled, redeemed or converted, the Notes will be redeemed at their principal amount on the final maturity date.

The Notes are hybrid financial instrument and the option to convert is an embedded derivative. The carrying value of the Notes on initial recognition is based on the net proceeds of issuance of the Notes reduced by the fair value of the embedded derivatives and is subsequently carried at amortized cost.

The embedded derivatives are separated from the carrying value of the Notes as their risks and characteristics are not closely related to those of the Notes and the Notes are not carried at fair value. The embedded derivatives and the Notes are presented under a separate line item in the consolidated statement of financial position.

The Notes are presented in the consolidated statement of financial position as follows:

	2011 *AED'000*	*2010* *AED'000*
Liability component as at the end of the year	**1,771,584**	1,758,431
Equity component on initial recognition	**37,155**	37,155

23 SUKUK

Emaar Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has established a trust certificate issuance programme (the "Programme") pursuant to which the Issuer may issue from time to time up to USD 2,000,000 thousands (AED 7,346,000 thousands) of trust certificates in series. On 3 February 2011, the Issuer has issued trust certificates (the "Sukuk") amounting to USD 500,000 thousands (AED 1,836,500 thousands) under the Programme. The sukuk is listed on the London Stock Exchange and is due for repayment in 2016. The sukuk carries a profit distribution at the rate of 8.5% per annum to be paid semi-annually.

	2011 ***AED'000***
Proceeds from issuance of the sukuk	**1,836,500**
Less: Sukuk issuance cost	**(18,509)**
Sukuk liability on initial recognition	**1,817,991**
Profit accrued up to year end	**2,518**
Sukuk liability as at year end	**1,820,509**

24 RETENTIONS PAYABLE

	2011 *AED'000*	*2010* *AED'000*
Retentions payable within 12 months	**560,215**	819,836
Retentions payable after 12 months	**254,702**	329,068
	814,917	1,148,904

25 EMPLOYEE BENEFITS

End-of-Service Benefits
The movement in the provision for employees' end-of-service benefits was as follows:

	2011 *AED'000*	*2010* *AED'000*
Balance at the beginning of the year	**58,500**	46,934
Provided during the year	**22,116**	20,408
Paid during the year	**(10,134)**	(8,842)
Balance at the end of the year	**70,482**	58,500

Employees' Performance Share Programme
The Company has an Employee Performance Share Programme ("the Programme") to recognise and retain good performing staffs. The Programme gives the employee the right to purchase the Company's shares at par. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2011		*2010*	
	No.	**WAEP**	No.	WAEP
Outstanding at the beginning of the year	**59,743**	**AED 1.00**	59,743	AED 1.00
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	**59,743**	**AED 1.00**	59,743	AED 1.00

The fair value of the vested shares is determined by reference to the official price list published by the Dubai Financial Market (DFM) for the 5 consecutive trading days prior to and after the vested date. As the options are granted deep in the money, management considers this to be an appropriate means of valuation.

The expense recognized during the year in respect of the programme was AED nil (2010: AED nil).

26 SHARE CAPITAL

	2011 *AED'000*	*2010* *AED'000*
Authorised capital - 6,096,325,000 shares of AED 1 each (31 December 2010: 6,096,325,000 shares of AED 1 each)	**6,096,325**	6,096,325
Issued and fully paid-up - 6,091,238,503 shares of AED 1 each (31 December 2010: 6,091,238,503 shares of AED 1 each)	**6,091,239**	6,091,239

During 2010, the Company sold its treasury shares at an average net price of AED 3.84 per share, resulting in a net loss of AED 344 thousands, which was taken to the capital reserve (Note 27).

27 RESERVES

	Statutory reserve AED'000	*Capital reserve AED'000*	*General reserves AED'000*	*Hedging reserves AED'000*	*Net unrealised gains/(losses) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*
Balance at 1 January 2010	13,808,707	4,004	2,490,377	218	(1,396,082)	(195,851)	14,711,373
Decrease in unrealised reserves	-	-	-	(9,173)	(208,733)	-	(217,906)
Increase in foreign currency translation reserve	-	-	-	-	-	186,325	186,325
Net (loss)/income recognized directly in equity	-	-	-	(9,173)	(208,733)	186,325	(31,581)
Sale of treasury shares (Note 26)	-	(344)	-	-	-	-	(344)
Net movement during the year	-	-	244,823	-	-	-	244,823
Balance at 31 December 2010	13,808,707	3,660	2,735,200	(8,955)	(1,604,815)	(9,526)	14,924,271
(Decrease)/increase in unrealised reserves	-	-	-	(498)	181,521	-	181,023
Decrease in foreign currency translation reserve	-	-	-	-	-	(577,913)	(577,913)
Net (loss)/income recognized directly in equity	-	-	-	(498)	181,521	(577,913)	(396,890)
Net movement during the year	-	-	179,354	-	-	-	179,354
Balance at 31 December 2011	**13,808,707**	**3,660**	**2,914,554**	**(9,453)**	**(1,423,294)**	**(587,439)**	**14,706,735**

27 RESERVES (continued)

According to Article number 57 of the Articles of Association of the Company and Article 193 of the U.A.E. Federal Commercial Companies Law, 10% of annual net profits are allocated to the statutory reserve and another 10% to the general reserve. The transfers to the statutory reserve may be suspended when the reserve reaches 50% of the paid-up capital. Transfers to the general reserve may be suspended by the ordinary general assembly when the reserve reaches 50% of the paid-up capital.

The statutory reserve is in excess of 50% of the paid-up share capital of the Company and therefore in accordance with a resolution of the Annual General Meeting, the Group has ceased further transfers to this reserve.

The statutory reserve includes:

- AED 2,475,000 thousands being the premium collected at AED 15 per share (shares par value at that time was AED 10 per share) on the 1:1.65 rights issue during the year ended 31 December 1998; and
- AED 11,321,656 thousands being the premium collected to date at AED 4 per share on the 1:1 rights issue announced during the year ended 31 December 2005.

The capital reserve was created from gain on sale of treasury shares in 2003.

Net unrealised gains/(losses) reserve:

- This reserve records fair value changes in financial assets at fair value through other comprehensive income and the Group's share in fair value reserve of the associated companies.

Foreign currency translation reserve:

- The foreign currency translation reserve is used to record exchange difference arising from translation of the financial statements of foreign subsidiaries and associates.

28 EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to the owners of the parent (after adjusting for interest on the convertible notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2011 *AED'000*	*2010* *AED'000*
Earnings:		
Net profit attributable to the owners of the parent for basic earnings	**1,793,535**	2,448,229
Interest on convertible notes	**150,461**	5,016
Net profit attributable to the owners of the parent adjusted for the effect of dilution	**1,943,996**	2,453,245

28 EARNINGS PER SHARE (continued)

Shares in thousands	*2011*	*2010*
Weighted average number of ordinary shares for basic earnings per share*	**6,091,239**	6,091,139
Effect of dilution: Convertible notes	**386,632**	12,711
Weighted average number of ordinary shares adjusted for the effect of dilution*	**6,477,871**	6,103,850

* The weighted average number of shares in 2010 takes into account the weighted average effect of changes in treasury shares transactions during 2010.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

	2011	*2010*
Earnings per share:		
- basic and diluted earnings per share	**AED 0.29**	AED 0.40

29 GUARANTEES

The Group has the following guarantees outstanding as at 31 December 2011:

1. Loans and guarantee taken by an associate from commercial banks amounting to AED 194,480 thousands (2010: AED 233,384 thousands) are guaranteed by the Group.
2. Loans taken by an associate from commercial banks amounting to AED 95,498 thousands (2010: AED 110,190) are guaranteed by the Group.
3. The Group has issued a financial guarantee of AED 9,117 thousands (2010: AED 7,314 thousands) as a security for the letter of guarantee issued by a commercial bank for the performance of the Group's contractual obligations.
4. The Group has provided a financial guarantee of AED 5,000 thousands (2010: AED 5,000 thousands) as a security for the letter of guarantee issued by a commercial bank for issuance of a trade license from the Government of Dubai.
5. The Group has provided a financial guarantee of AED 3,287 thousands (2010: Nil) as a security for the performance of its contractual obligations.
6. The Group has provided a financial guarantee of AED 922 thousands (2010: Nil) as a security for the performance of its contractual obligations.
7. The Group has provided a corporate guarantee of AED 110,190 thousands (2010: AED 110,190 thousands) to a commercial bank as a security for the guarantees issued by the bank on behalf of the associate of the Group.

30 COMMITMENTS

At 31 December 2011, the Group had commitments of AED 6,158,649 thousands (2010: AED 7,308,309 thousands) which include project commitments of AED 5,825,958 thousands (2010: AED 7,124,702 thousands). This represents the value of contracts issued as at 31 December 2011 net of invoices received and accruals made as at that date.

Certain claims were submitted by the contractors relating to different projects of the Group in the ordinary course of business from which it is anticipated that no material un-provided liabilities will arise.

The Group had entered into a joint venture agreement (the "agreement") with Bawadi LLC, (a subsidiary of Tatweer LLC) to jointly develop plots of land in Bawadi development in Dubai. According to the terms of agreement, the Group is committed to contribute AED 3,850,000 thousands over the expected construction period of 7 to 10 years as and when the joint venture partner contributes the equivalent value of land.

Operating lease commitments - Group as lessee

The Group has entered into various operating lease agreements for properties, office facilities and equipment. These leases have an average life of between 1 to 10 years. There are no restrictions placed upon by the Group on entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2011 *AED'000*	*2010* *AED'000*
Within one year	**547,281**	532,056
After one year but not more than five years	**446,822**	442,210
More than five years	**108,559**	162,839
	1,102,662	1,137,105

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The future minimum rentals receivable under non-cancellable operating leases contracted for as at the reporting date but not recognized as receivables, are as follows:

	2011 *AED'000*	*2010* *AED'000*
Within one year	**1,108,567**	1,148,152
After one year but not more than five years	**2,219,513**	1,420,768
More than five years	**1,061,132**	1,124,331
	4,389,212	3,693,251

In addition to the base rent, the Group also charges annual service charges to its tenants. The total amount charged for the year ended 31 December 2011 was AED 156,503 thousands (2010: AED 139,205 thousands).

31 DIVIDENDS

A cash dividend of AED 0.10 per share (total of AED 609,124 thousands) for the year 2010 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 28 March 2011. A cash dividend of AED 0.10 per share for 2011 is proposed by the Board of Directors of the Company subject to the approval of the shareholders in the Annual General Meeting.

32 RELATED PARTY DISCLOSURES

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control and key management personnel. The Group's management decides on the terms and conditions of such related party transactions as well as on other services and charges.

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

	2011 *AED'000*	*2010* *AED'000*
Shareholders:		
Revenue from sale of commercial properties	-	295,535
Associates:		
Islamic finance income	**22,720**	35,090
Finance income earned on loans	**209,540**	130,107
Directors and their related parties		
Cancellation of sale of plot of land [refer to Note (a) below]	-	351,687
Other income [refer to Note (a) below]	-	70,337
Rental income from leased properties and related income	**55,780**	43,717
Islamic finance income	**220**	3,522
Finance income on bank balances and cash	**25,689**	18,285
Finance cost on interest-bearing loans and borrowings	**18,991**	10,336

Related party balances
Significant related party balances (and the consolidated statement of financial position captions within which these are included) are as follows:

	2011 *AED'000*	*2010* *AED'000*
Directors and their related parties:		
Bank balances and cash	**215,361**	1,246,588
Trade receivables	**18,219**	10,913
Other assets, receivables, deposits and prepayments	**9,051**	9,051
Investment in securities at amortized cost (Certificate of deposits with Mashreq Bank)	**446,945**	-
Investment in securities at fair value through other comprehensive income	**44,604**	60,850
Interest-bearing loans and borrowings	**234,329**	318,174

A payment of bonus of AED 500 thousands is proposed to each of the members of the Board of Directors of the Company for approval of the shareholders at the forthcoming Annual General Meeting of the Company.

32 RELATED PARTY DISCLOSURES (continued)

a) On 1 June 2008, the Company entered into a development agreement ("the Agreement") with a company ("the other party") in which one of the Directors of the Company has an interest. As per the terms of the Agreement, the Company recorded a revenue of AED 351,687 thousands from a sale of plot of land ("the plot") to the other party and agreed to share the profit equally with the other party from the development of the plot. Due to the financial crisis at the end of 2008, the project development was stopped. The Board of Directors of the Company is currently in discussion with the other party in respect of the enforcement of the Agreement and the development of the project and a number of options are being considered. As at the date of the consolidated financial statements, no final decision was reached in respect of the Agreement. Pending final resolution of this matter, the Company adopted a conservative approach by reversing the above mentioned sales revenue in 2010 and the amount received as a part consideration for the plot by the Company was forfeited and recognised in other income.

b) During 2010, Emaar Misr for Development Company (SAE), a subsidiary of the Company, has settled its outstanding payable to Turner International Middle East Ltd. ("Turner"), an associate of the Company, towards work performed by Turner for a consideration other than cash, in the form of villas in the development projects in Egypt, having value of EGP 62,099 thousands (AED 40,198 thousands).

c) During the year, Turner has settled dividend payable to the Company of AED 60,000 thousands (2010: AED 28,209 thousands) in the form of settlement of recoverable amounts toward work performed for the Company.

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

	2011 *AED'000*	*2010* *AED'000*
Short-term benefits	**155,291**	168,553
Employees' end-of-service benefits	**6,326**	5,509
	161,617	174,062

During the year, the number of key management personnel was 150 (2010: 169).

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing loans and borrowings, convertible notes, sukuk, overdrafts and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

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

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

a) 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. The Group is exposed to credit risk principally from its receivables from customers, other receivables and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 99% (2010: 96%) of the Group's trade receivables are based in Middle East and North Africa.

The Group has entered into contracts for the sale of residential and commercial units and plots of land on an installment basis. The installments are specified in the contracts. The Group is exposed to credit risk in respect of installments due. However, the legal ownership of residential and commercial units and plots of land is transferred to the buyer only after all the installments are recovered. In addition, installment dues are monitored on an ongoing basis with the result in the Group's exposure to bad debts is not significant.

The Group establishes an allowance for impairment at each reporting date 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.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Credit risk (continued)

Financial instruments and cash deposits

With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances and cash, financial assets at fair value through other comprehensive income, financial assets at amortized cost and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Guarantees

The Group's policy is to provide financial guarantees only to its subsidiaries and certain associates. For details of guarantees outstanding as at the reporting date refer to Note 29 to the consolidated financial statements.

b) Market risk

Market risk is the risk that changes in market prices, such as currency risk, interest rate risk and equity prices will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by market risk include interest-bearing loans and borrowings, deposits, financial assets at fair value through other comprehensive income and derivative 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 also enters into derivative transactions, primarily interest rate swap and forward currency contracts. The purpose is to manage the interest rate risk and the currency risks arising from the Group's operations and its sources of finance.

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

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rates is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its borrowing from financial institutions, investment in financial products and fixed deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, after the impact of hedge accounting, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Group's equity.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk (continued)

Exposure to interest rate risk (continued)

	2011		*2010*	
	Change in basis points	***Sensitivity of interest income/expense AED'000***	*Change in basis points*	*Sensitivity of interest income/expense AED'000*
Financial asset	**± 100**	**2,779**	± 100	9,073
Financial liability	**± 100**	**55,136**	± 100	75,535

The interest rate sensitivity set out above relates primarily to the AED and USD as the Group does not have any significant net exposure for non-trading financial assets and financial liabilities denominated in currencies other than the AED or currencies pegged to the AED and USD.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. The interest rates on loans to associates are described in Note 14 to the consolidated financial statements. Interest rates on loans from financial institutions are disclosed in Note 21 to the consolidated financial statements.

Exposure to foreign currency risk

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

However, the Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in those subsidiaries and associates where functional currencies are denominated in a different currency from the Group's functional currency. The foreign currency exchange differences arising upon consolidation of these entities for the purpose of preparation of the Group's consolidated financial statements are recorded in the consolidated statement of changes in equity through the consolidated statement of comprehensive income.

The table below indicates the sensitivity analysis of a change in foreign exchange rates of these currencies and their impact on other comprehensive income:

	2011		*2010*	
Currency	***Change in currency rate in %***	***Effect on equity AED'000***	*Change in currency rate in %*	*Effect on equity AED'000*
EGP	**±10**	**78,290**	±10	76,258
INR	**±10**	**302,844**	±10	348,931
Other currencies not pegged to US Dollar	**±10**	**44,237**	±10	103,096

There is no significant impact of a reasonably possible movement in the currency rates on the consolidated statement of comprehensive income.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk (continued)

Exposure to equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio. Equity price risk arises from equity instruments held at fair value through other comprehensive income held by the Group. Management of the Group monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed by qualified fund managers as well as on an individual basis. All buy and sell decisions related to portfolios managed on an individual basis are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns.

The effect on equity (as a result of a change in the fair value of equity instruments held at fair value through other comprehensive income as at 31 December 2011) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2011		*2010*	
	Change in equity price in %	***Effect on equity AED'000***	*Change in equity price in %*	*Effect on equity AED'000*
Quoted investments	**±10**	**33,802**	±10	46,646

Exposure to overseas country risks
Management monitors political and economic events and developments in countries where the Group operates to assess the likelihood of any potential impact to the Group's financial position and results of operations.

c) Liquidity risk

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

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

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

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Financial liabilities	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
As at 31 December 2011					
Interest-bearing loans and borrowings	2,509,992	2,063,540	3,506,834	163,281	8,243,647
Retentions payable	99,813	460,402	254,702	-	814,917
Payable to non-controlling interests	-	-	967,562	-	967,562
Dividend payable	96,871	-	-	-	96,871
Convertible notes	34,434	103,303	2,249,713	-	2,387,450
Sukuk	78,051	78,051	2,460,910	-	2,617,012
Other liabilities	1,752,751	2,358,773	3,028,006	-	7,139,530
Total undiscounted financial liabilities	**4,571,912**	**5,064,069**	**12,467,727**	**163,281**	**22,266,989**
As at 31 December 2010					
Interest-bearing loans and borrowings	2,776,613	2,187,015	5,571,342	58,854	10,593,824
Retentions payable	138,424	681,412	329,068	-	1,148,904
Payable to non-controlling interests	-	-	949,538	-	949,538
Dividend payable	76,049	-	-	-	76,049
Convertible notes	34,434	103,303	2,387,450	-	2,525,187
Other liabilities	2,023,901	2,596,840	3,139,000	-	7,759,741
Total undiscounted financial liabilities	5,049,421	5,568,570	12,376,398	58,854	23,053,243

d) Capital management

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 33% and 50%. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the net unrealised gains/(losses) reserve. At 31 December 2011, the Groups' gearing ratio is 23% (31 December 2010: 22%). The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Capital management (continued)

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than the statutory requirements in the jurisdictions where the Group entities are incorporated.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, securities, loans and advances, other receivables and due from related parties. Financial liabilities of the Group include customer deposits, interest-bearing loans and borrowings, convertible notes, sukuk, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

35 HEDGING ACTIVITIES

Cash flow hedges
At 31 December 2011, the Group held certain forward foreign exchange contracts designated as hedges of expected future payments under payment contracts entered by the Company for which the Group had firm commitments. The forward foreign exchange contracts were being used to hedge the foreign currency risk of the firm commitments. The nominal amount of these contracts is USD 62,500 thousands (AED 229,563 thousands).

The Group hold certain interest rate swap contract designated as a hedge of expected future payments under the borrowing contracts entered by the Group for which it has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of these contracts is USD 232,389 thousands (2010: USD 300,000 thousands).

	2011		*2010*	
	Assets AED'000	***Liabilities AED'000***	*Assets AED'000*	*Liabilities AED'000*
Interest rate swap contracts				
Fair value	-	**9,449**	-	8,955
Forward foreign exchange contracts				
Fair value	-	**4**	-	-