IMPORTANT NOTICE

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the preliminary prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached preliminary prospectus (the "**Prospectus**"). In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Sukuk Funding (No. 3) Limited (the "**Trustee**") or Aldar Properties PJSC ("**Aldar**") as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTIONS AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE OR ANY OTHER APPLICABLE RULES OR REGULATIONS MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing this Prospectus you confirm to Dubai Islamic Bank PJSC, Goldman Sachs International, National Bank of Abu Dhabi PJSC, First Gulf Bank PJSC and Standard Chartered Bank as joint lead managers (together the "**Joint Lead Managers**"), Abu Dhabi Islamic Bank PJSC and Union National Bank PJSC (the "**Senior Co-Lead Managers**" and, together with the Joint Lead Managers, the "**Managers**") and the Trustee, as issuer of the Certificates (as defined in the attached Prospectus), that: (i) you understand and agree to the terms set out herein; (ii) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission; (iii) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. No action has been taken or will be taken in any jurisdiction by the Trustee, Aldar or the Managers that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Prospectus or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained the final prospectus.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Trustee, Aldar nor any person who controls or is a director, officer, employee or agent of the Managers, the Trustee, Aldar nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Managers, the Trustee and Aldar to inform themselves about, and to observe, any such restrictions.

PROSPECTUS DATED 27 NOVEMBER 2013

SUKUK FUNDING (NO. 3) LIMITED

(incorporated as an exempted company in the Cayman Islands with limited liability)

U.S.$750,000,000 Trust Certificates due 2018

The U.S.$750,000,000 Trust Certificates due 2018 (the "**Certificates**") of Sukuk Funding (No. 3) Limited (in its capacity as issuer and as trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 3 December 2013 (the "**Closing Date**") entered into between the Trustee, Aldar Properties PJSC ("**Aldar**") and Citibank N.A., London Branch in its capacity as the delegate of the Trustee (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined below) which will include, *inter alia*: (i) the Asset Portfolio (as defined herein); and (ii) the rights of the Trustee under the Transaction Documents (as defined herein).

On 3 June and 3 December in each year commencing on 3 June 2014 (each, a "**Periodic Distribution Date**"), the Trustee will pay Periodic Distribution Amounts (as defined herein) to Certificateholders calculated at the rate of 4.348 per cent. per annum on the outstanding face amount of the Certificates as at the beginning of the relevant Return Accumulation Period (as defined herein) on the basis of a year of 12 30-day months divided by 360.

The Trustee will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by Aldar in its capacity as lessee under the Lease Agreement (as defined herein). Unless previously redeemed in the circumstances described in Condition 14 (*Capital Distributions of the Trust)* and Condition 15 (*Dissolution Events*), the Certificates will be redeemed on 3 December 2018 (the "**Scheduled Dissolution Date**") at the Dissolution Amount (as defined herein). The Trustee will pay Dissolution Amounts solely from the proceeds received in respect of the Trust Assets which include payments by Aldar under the Purchase Undertaking, Sale Undertaking and the Service Agency Agreement (each as defined herein). All payments in respect of the Certificates will be made in accordance with, and subject to the provisions of, the terms and conditions of the Certificates (the "**Conditions**").

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "*Risk Factors".*

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to its official list (the "**Official List**") and to be admitted to trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Certificates which are to be admitted to trading on the Main Securities Market or any other regulated markets for the purposes of Directive 2004/39/EC (each such regulated market being a "**MiFID Regulated Market**") or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**").

Upon issue, the Certificates are expected to be assigned a rating of BB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and Ba2 by Moody's Investors Service Ltd. ("**Moody's**"). Moodys has assigned the UAE a rating of Aa2 with a stable outlook, see page 127. Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein), does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Please also refer to "*Credit ratings may not reflect all risks*" in the Risk Factors section of this Prospectus.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Closing Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A/N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals referred to above is in compliance with *Shari'a* principles.

Global Coordinator and Joint Lead Manager

Standard Chartered Bank

Joint Lead Managers

Dubai Islamic Bank PJSC **First Gulf Bank PJSC** **Goldman Sachs International**

National Bank of Abu Dhabi PJSC

Senior Co-Lead Managers

Abu Dhabi Islamic Bank PJSC **Union National Bank PJSC**

The date of this Prospectus is 27 November 2013

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of giving information with regard to the Trustee, Aldar and the Certificates which, according to the particular nature of the Trustee, Aldar and of the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and Aldar.

The Trustee and Aldar accept responsibility for the information contained in this Prospectus and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the knowledge of each of the Trustee and Aldar, in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings "*Description of the Business*" and "*Overview of the UAE and the Emirate of Abu Dhabi*" has been extracted from information provided by or obtained from, the International Monetary Fund, the UAE National Bureau of Statistics, Abu Dhabi Statistics Centre, the Organisation of Petroleum Exporting Countries, the UAE Ministry of Economy, the UAE Central Bank and the Abu Dhabi Department of Economic Development and, in each case, the relevant source of such information is specified where it appears under those headings.

Neither the Trustee nor Aldar accepts responsibility for the factual correctness of any such information, but each of the Trustee and Aldar confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Managers, the Delegate or the Agents has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Trustee or Aldar in connection with the Certificates.

No person is or has been authorised by the Trustee or Aldar to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, Aldar, the Delegate or any of the Managers. None of the Managers, the Delegate or the Agents, or any of their respective affiliates make any representation or warranty or accept any liability as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of the Certificates shall, in any circumstances, create any implication that the information contained in this Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or Aldar since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No comment is made, or advice given by, the Trustee, Aldar or the Managers in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, Aldar, the Managers, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, Aldar, the Managers, the Delegate or the Agents which is intended to permit a public offering of the

Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Trustee, Aldar and the Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the United Kingdom, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong, the Cayman Islands, Switzerland and Malaysia. For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates and should not be considered as a recommendation by the Managers, Trustee, Aldar, the Delegate or the Agents or any of them that any recipient of this Prospectus should subscribe for, or purchase, Certificates. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and Aldar. None of the Managers, the Delegate or the Agents accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Trustee or Aldar in connection with the Certificates.

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

(d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Certificates are legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

Stabilisation

In connection with the issue of the Certificates, Standard Chartered Bank (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or Aldar. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Closing Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Certificates. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such stabilisation shall be proportioned in accordance with the International Capital Market Association Standard Form Agreement Among Managers version 1.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be ''forward-looking statements''. When used in this Prospectus, the words ''anticipates'', ''estimates'', ''expects'', ''believes'', ''intends'', ''plans'', ''aims'', ''seeks'', ''may'', ''will'', ''should'' and any similar expressions generally identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including without limitation, those regarding Aldar's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Aldar's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding Aldar's present and future business strategies and the environment in which Aldar operates in the present and future.

Important factors that could cause Aldar's business, actual results of operations, financial condition or cash flows to differ materially from Aldar's current expectations, include, but are not limited to:

- economic and financial markets conditions in the UAE generally and in Abu Dhabi in particular;
- the performance of the property market in Abu Dhabi and the wider region;
- Aldar's relationship with the Government generally, including its ability to obtain land from the Government and to obtain requisite governmental or regulatory approvals and permits to undertake planned or proposed development projects;
- Aldar's ability to achieve and manage the growth of its business;
- Aldar's ability to realise the benefits it expects from existing and future investments in its existing operations and pending real estate projects;
- development and construction risks;
- Aldar's ability to obtain external financing or maintain sufficient capital to fund its existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which Aldar and its customers operate;
- changes in the competitive environment in which Aldar operates;
- failure to comply with regulations applicable to Aldar's business;
- removal or adjustment of the peg between the U.S. dollar and the dirham;
- actions taken by Aldar's joint venture partners that may not be in accordance with its policies and objectives;
- changes in political, social, legal or economic conditions in Abu Dhabi, the UAE or the Middle East; and
- the additional risks and uncertainties listed under the section entitled *''Risk Factors''*.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under ''*Risk Factors*''. Forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Trustee and Aldar expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based after the date of this Prospectus. Given the uncertainties of forward-looking statements, the Trustee and Aldar cannot assure investors that projected results or events will be achieved and the Trustee and Aldar caution investors not to place undue reliance on these.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

This Prospectus includes the following financial information:

- for Aldar, the consolidated annual financial statements as at and for the year ended 31 December 2012 (the "**Aldar 2012 Financial Statements**") and as at and for the year ended 31 December 2011 (the "**Aldar 2011 Financial Statements**" and, together, the "**Aldar Annual Financial Statements**");
- for Sorouh Real Estate Company PJSC ("**Sorouh**"), the consolidated annual financial statements as at and for the year ended 31 December 2012 (the "**Sorouh 2012 Financial Statements**") and as at and for the year ended 31 December 2011 (the "**Sorouh 2011 Financial Statements**" and, together, the "**Sorouh Annual Financial Statements**"); and
- for the Group, the unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2013 (the "**2013 Interim Financial Statements**").

The Aldar Annual Financial Statements and the Sorouh Annual Financial Statements (together, the "**Annual Financial Statements**") were prepared in accordance with International Financial Reporting Standards ("**IFRS**") and have been audited without qualification by Deloitte & Touche (M.E.).

The 2013 Interim Financial Statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting (IAS 34)" and have been reviewed without qualification by Deloitte & Touche (M.E.).

MERGER

On 27 June 2013, the UAE Ministry of Economy declared the merger between Aldar and Sorouh to be effective, the assets and liabilities of Sorouh were assumed by Aldar in consideration for the issue of 3,381,000,000 new Aldar shares to Sorouh shareholders, and Sorouh was subsequently dissolved pursuant to the provisions of Article 280 of UAE Federal Law No. 8 of 1984 relating to Commercial Companies (as amended) (together, the "**Merger**"). Aldar was nominated as the acquirer and as such the 2013 Interim Financial Statements reflect the acquisition of Sorouh by Aldar. In accordance with IFRS, the Group's management determined the Merger to be effective for accounting purposes from 15 May 2013.

As a result of the Merger:

- the 2013 Interim Financial Statements present the condensed consolidated statement of financial position of Aldar as at 30 September 2013 reflecting the acquisition of Sorouh from 15 May 2013, whilst the comparative financial information included in the 2013 Interim Financial Statements (the "**2012 comparative information**") presents the condensed statement of financial position of Aldar only as at 31 December 2012; and
- the condensed consolidated income statement, statement of comprehensive income and statement of cash flows for the nine months ended 30 September 2013 in the 2013 Interim Financial Statements includes Aldar's results of operations and cash flows for the whole period including the acquisition of Sorouh from 15 May 2013 (the effective date of the Merger for IFRS purposes), whilst the 2012 comparative information includes only Aldar's results of operations and cash flows for the nine months ended 30 September 2012.

Note 21 to the 2013 Interim Financial Statements provides further details of the Merger, including the Sorouh subsidiaries and non-controlling interests acquired, the Sorouh assets and liabilities recognised at the date of acquisition and the AED 2.6 billion gain arising on the Merger. Under IFRS acquisition accounting rules, all of Sorouh's assets and liabilities were required to be fair valued at 15 May 2013. Potential investors should note that these and other fair valuation calculations carried out as part of the Merger process had only been provisionally determined based on management's best estimate of the likely values by 30 September 2013 and are subject to adjustment. Any such adjustments may also impact the recognised fair values of other assets acquired through the Merger.

The revenue for the nine months ended 30 September 2013 attributable to Sorouh that was included in the 2013 Interim Financial Statements was AED 678.9 million. Had the effective date of the Merger been 1 January 2013, the revenue of the Group would have been AED 1,126 million higher (at AED 5,181 million) and its profit would have been unchanged at AED 1,819.5 million.

PRESENTATION OF STATISTICAL INFORMATION

The statistical information in the section entitled "*Overview of the UAE and Abu Dhabi*" has been derived from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The data set out in that section relating to Abu Dhabi's gross domestic product ("**GDP**") for 2012 is preliminary and subject to change. In addition, GDP data for certain earlier years may also be subject to revision in future periods and certain other historical data set out in that section may be subject to future adjustment.

DEFINED TERMS RELATING TO THE GROUP'S LAND BANK AND PROJECTS

The Group has significant holdings of both freehold and long-leasehold land, almost all of which has been granted to it by the Government. All land held by the Group, apart from certain land held by it as lessee on short-term leases and certain land which has been sold to joint ventures, is referred to in this Offering Circular as the Group's "**land bank**". The Group's land bank includes land which has been developed and retained by the Group, land which is under development by the Group and land which is currently not in any stage of development. This last category is referred to as the Group's "**undeveloped land bank**".

The Group has completed, or is in the process of undertaking, development projects on a significant part of the land comprised in the land bank as well on certain land held on short-term leases that has been excluded from the land bank.

The Group's land bank comprises land which may be held by it for capital appreciation and/or income generation purposes (for example, through the leasing of developments constructed or proposed to be constructed on the land). This land is accounted for in the Financial Statements as investment property and is referred to in this Prospectus as "**investment property**".

Investment properties include land on which no development work has been undertaken, land on which development work is being undertaken and land on which a development has been completed. In this last case, all or parts of the completed development are intended to be leased by the Group (as "**lessor**") or to generate revenue for it in some other way. This last category of investment property is also referred to in this Prospectus as "**income-generating properties**". Income-generating properties are spread across all major asset classes, including residential properties at a number of its developments, office towers in separate developments, retail malls and hotels and hotel apartments.

The Group may also hold land which it intends to sell. This land can be categorised into two types. The first type comprises undeveloped plots within existing proposed developments in respect of which a master plan may have been prepared by the Group and certain infrastructure work (such as the building of roads, bridges, canals and tunnels) may have been carried out by the Group. These plots, which the Group expects to sell to third party developers for development by them in accordance with the Group's master plan, are referred to in this Prospectus as "**development land**". For accounting purposes, they were classified as "land held for resale" by Sorouh and are classified as "development work in progress" by Aldar and are also classified as "land held for resale" by the Group. The second type comprises land on which developments have been completed or are in the process of being completed. This land is referred to in this Prospectus as "**completed properties**". Completed properties will typically comprise residential units and can be pre-sold during the course of their construction. For accounting purposes, these properties are classified as "development work in progress" if still under construction and as "inventory" once completed.

CERTAIN OTHER DEFINED TERMS AND CONVENTIONS

Capitalised terms which are used but not defined in any section of this Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below:

- references to "**Aldar**" as at any period after 27 June 2013 are references to the combined business following the Merger;
- references to "**Aldar**" and the "**Group**" herein include references to "**Aldar's**" consolidated subsidiaries, associated companies and joint ventures unless the context does not permit;
- references to "**Abu Dhabi**" and the "**Emirate**" herein are to the Emirate of Abu Dhabi;
- references to the "**UAE**" herein are to the United Arab Emirates;
- references to the "**Government**" herein are to the government of Abu Dhabi;

- references to the "**GCC**" are to the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- references to the "**MENA region**" are to the region comprising the Middle East and North Africa; and
- references to "**2010**", "**2011**" and "**2012**" are to the year ended 31 December in each such year.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this Prospectus to "**U.S. dollars**", "**U.S.$** " and "**$**" refer to United States dollars, being the legal currency for the time being of the United States of America and all references to "**dirham**" and "**AED**" refer to UAE dirham, being the legal currency for the time being of the UAE. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00.

References to a "**billion**" are to a thousand million.

Foreign Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

NOTICE TO UK RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 ("**FSMA**") as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010.

Potential investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

CAYMAN ISLANDS NOTICE

No invitation whether directly or indirectly may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO KINGDOM OF BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, the Certificates and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered the Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO QATARI RESIDENTS

This Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority ("**QFMA**"), the Qatar Financial Centre ("**QFC**") or the Qatar Central Bank ("**QCB**") in accordance with their regulations or any other regulations in the State of Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (5) of 2002 (the "**Commercial Companies Law**") or otherwise under any laws of the State of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia ("**CMSA**").

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or Aldar and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

CONTENTS

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors"

Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this overview.

Trustee:	Sukuk Funding (No. 3) Limited, an exempted limited liability company incorporated in the Cayman Islands under the Companies Law (2013 Revision) (as amended). The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party. The Trustee shall on the Closing Date issue the Certificates to the Certificateholders.
Owner and Service Agent:	Aldar Properties PJSC
Risk Factors:	There are certain factors that may affect the Trustee's ability to fulfil its obligations under the Certificates and Aldar's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors relating to the Certificates, the Musataha Interest and the Lease, enforcement and the market generally which are material for the purpose of assessing the risks associated with the Certificates. These are set out under "*Risk Factors*".
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of a nominal or par value of U.S.$1 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held by MaplesFS Limited of P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands under the terms of the Share Declaration of Trust (as defined in "*Description of the Trustee*").
Administration of the Trustee:	MaplesFS Limited (the "**Trustee Administrator**") provides, *inter alia*, certain administrative services for and on behalf of the Trustee pursuant to the Corporate Services Agreement dated 27 November 2013 between, *inter alios*, the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"). The Trustee Administrator's registered office is MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.
Global Coordinator	Standard Chartered Bank
Joint Lead Managers:	Dubai Islamic Bank PJSC, First Gulf Bank PJSC, Goldman Sachs International, National Bank of Abu Dhabi PJSC and Standard Chartered Bank
Senior Co-Lead Managers:	Abu Dhabi Islamic Bank PJSC and Union National Bank PJSC
Delegate:	Citibank N.A., London Branch
Principal Paying Agent and Calculation Agent:	Citibank N.A., London Branch
Registrar and Transfer Agent:	Citigroup Global Markets Deutschland AG
Summary of the Transaction Structure and Documents:	An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".
Certificates:	U.S.$750,000,000 Trust Certificates due 2018

Closing Date:	3 December 2013
Issue Price:	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates:	The third day in June and the third day in December, in each year, commencing on 3 June 2014.
Periodic Distributions:	On each Periodic Distribution Date, Certificateholders will receive, from moneys received by the Trustee in respect of the Trust Assets, a Periodic Distribution Amount in US Dollars calculated at the rate of 4.348 per cent. per annum or the outstanding face amount of the Certificates on the basis of a year of 12 30-day months divided by 360. See Condition 8 (*Periodic Distributions)*.
Return Accumulation Period:	The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the relevant Dissolution Date.
Form of Certificates:	The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.
Clearance and Settlement:	Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.
Face Amounts of the Certificates:	The Certificates will be issued in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Status of the Certificates:	Each Certificate evidences an undivided ownership interest of the Certificateholders in the Trust Assets, subject to the terms of the Declaration of Trust and the Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate will rank *pari passu*, without any preference or priority, with the other Certificates. The payment obligations of Aldar under the Transaction Documents to which it is a party will constitute direct, unconditional and unsecured obligations of Aldar and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of Aldar present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Trust Assets:	The Trust Assets are all of the Trustee's rights, title, interest and benefit, present and future, in, to and under: (i) the Asset Portfolio; (ii) the Transaction Documents (other than: (A) in relation to any representations given to the Trustee and the Delegate by Aldar pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee or the Delegate in any of the Transaction Documents; and (B) the covenant given to the Trustee pursuant to Clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (iii) all monies standing to the credit

	of the Transaction Account from time to time, and all proceeds of the foregoing listed in (i) to (iii) above (the "**Trust Assets**"), and such Trust Assets will be held upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder.
Redemption of Certificates:	The Scheduled Dissolution Date of the Certificates is 3 December 2018. Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates shall be redeemed by the Trustee at the Dissolution Amount and on the Scheduled Dissolution Date and the Trust will be dissolved by the Trustee.
Dissolution Date:	The Dissolution Date shall be, as the case may be: (i) the Scheduled Dissolution Date; (ii) following the occurrence of a Dissolution Event, the date on which the Certificates are redeemed in accordance with the provisions of Condition 15 (*Dissolution Events*); or (iii) following the occurrence of a Tax Event or a Total Loss Event, the date on which the Certificates are redeemed in accordance with the provisions of Condition 14 (*Capital Distributions of the Trust*); (iv) the date on which all Certificates are redeemed following the exercise of the Change of Control Put Option; or (v) the date on which all Certificates are redeemed following the exercise of the Change of Control Trustee Call Option.
Dissolution Events:	Upon the occurrence of any Dissolution Event, the Certificates may be redeemed in full on the Dissolution Date at the Dissolution Amount (which shall include any accrued but unpaid Periodic Distribution Amount) and the Return Accumulation Period may be adjusted accordingly. See Condition 15 (*Dissolution Events*).
Early Dissolution for Tax Reasons:	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (*Taxation*) or the Lessee has or will become obliged to pay any additional amounts in respect of amounts payable under the Lease Agreement, in each case as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) and where such obligation cannot be avoided by the Trustee or the Lessee, as applicable, taking reasonable measures available to it, the Trustee may, following receipt of an exercise notice from Aldar pursuant to the Sale Undertaking, redeem the Certificates in whole but not in part at their face amount together with any accrued but unpaid Periodic Distribution Amounts on the relevant Dissolution Date.
Change of Control Put Option:	Each Certificateholder will have the right to require the redemption of its Certificates upon any person other than the Government of Abu Dhabi or any entity controlled, directly or indirectly, by the Government of Abu Dhabi acquiring more than 50 per cent. of the issued share capital of Aldar. Any such redemption will take place on the Change of Control Put Option Date, which shall be the next Periodic Distribution Date following the end of the Change of Control Put Period. Certificates will be redeemed at their face amount, together with any accrued but unpaid Periodic Distribution Amount.
Total Loss Events:	A "**Total Loss Event**" is: (i) the total loss or destruction of, or damage to the whole of, the Asset Portfolio or any event or occurrence that renders the whole of the Asset Portfolio permanently unfit for any economic use and (but only after taking into consideration any insurances payable or other indemnity granted by any third party in respect of the Asset Portfolio) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation,

requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Asset Portfolio, in each case as determined by the Service Agent acting for and on behalf of the Trustee.

The Service Agent will irrevocably undertake with the Trustee, in relation to the Asset Portfolio that it will be responsible for ensuring that: (a) the Asset Portfolio is properly insured (and where insurance is procured to use reasonable endeavours to obtain such on a *takaful* basis if such *takaful* insurance is available or is available on commercially viable terms) to the extent consistent with general industry practice by prudent owners of similar assets, and, accordingly, for effecting such insurances in respect of the Asset Portfolio (the "**Insurances**"), through brokers and with such reputable insurance companies in good financial standing, including against a Total Loss Event and ensuring that the insured amount relating to a Total Loss Event will, at all times, be at least equal to the "**Full Reinstatement Value**" (being the outstanding face amount of the Certificates together with Periodic Distribution Amount payable for a 30 day period); (b) a claim is promptly made in respect of each loss relating to the Asset Portfolio in accordance with the terms of any Insurances; and (c) following the occurrance of a Total Loss Event all the proceeds of any Insurances are paid in US Dollars directly into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event and that the insurer(s) will be directed accordingly.

If the Service Agent fails to comply with such undertaking and as a result of such breach the amount (if any) credited to the Transaction Account pursuant to the Service Agency Agreement is less than the Full Reinstatement Value (the difference between such Full Reinstatement Value and the amount credited to the Transaction Account being the "**Total Loss Shortfall Amount**"), then the Service Agent (unless it proves beyond any doubt that any shortfall in the proceeds of any Insurances is not attributable to its negligence or its failing to comply with the terms of this Agreement relating to insurance) will irrevocably and unconditionally indemnify the Trustee for the Total Loss Shortfall Amount, which will be payable (in same day, freely transferable, cleared funds) directly to the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred. Thereafter, and subject to the Service Agent's strict compliance with such obligations, proceeds of any Insurances received from such insurer will be for the Service Agent's sole account. Any such breach will not however constitute a Aldar Event.

Cancellation of Certificates held by Aldar and/or any of its Subsidiaries: Pursuant to Condition 13 (*Purchase and Cancellation of Certificates*), Aldar and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If Aldar wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, Aldar will deliver those Certificates to the Principal Paying Agent for cancellation. Aldar may also exercise its option under the Sale Undertaking to require the Trustee to transfer to Aldar all of its rights, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate value (determined by Aldar as being equal to the Value of the relevant Alder Assets on the day on which they first became part of the Asset Portfolio) no greater than the aggregate face amount of the Certificates so delivered to the Principal Paying Agent for

	cancellation and, upon such cancellation, the Trustee will transfer that portion of the Asset Portfolio to Aldar in consideration for such cancellation.
Aldar Asset Substitution:	Aldar may substitute Aldar Assets in accordance with the relevant provisions of the Sale Undertaking, **provided that** any substitute assets shall have an aggregate value which is not less than the aggregate value of the Aldar Assets to be so substituted (with the relevant values being determined by Aldar as above). Should Aldar wish to substitute the entire Asset Portfolio at the relevant time, such substitution shall only take effect on a Periodic Distribution Date.
Withholding Tax:	All payments by Aldar under the Purchase Undertaking and Sale Undertaking and all payments by the Service Agent under the Service Agency Agreement shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, Aldar and/or the Service Agent, as the case may be, will be required to pay, and accordingly will undertake to pay, such additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction. All payments in respect of the Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 11 (*Taxation*), be required to pay additional amounts so that the holders of the Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.
Negative Pledge and Limitations on Insurance of Financial Indebtedness:	The Purchase Undertaking contains a negative pledge and a restrictive covenant given by Aldar in relation to the incurrence of Financial Indebtedness.
Cross Acceleration:	The Declaration of Trust contains a cross acceleration provision in relation to Aldar. See "*Summary of the Principal Transaction Documents*".
Trustee Covenants:	The Trustee has agreed to certain restrictive covenants as set out in Condition 7 (*Covenants*).
Ratings:	Upon issue, the Certificates are expected to be assigned a rating of BB by S&P and a rating of Ba2 by Moody's. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein), does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Certificateholder Meetings:	A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).
Tax Considerations:	See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
Listing and Admission to Trading:	Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to be admitted to trading on the Main Securities Market.

Transaction Documents:	The Declaration of Trust, the Agency Agreement, the Musataha Agreement, the Lease Agreement, the Service Agency Agreement, the Purchase Undertaking and the Sale Undertaking are the "**Transaction Documents**".
Governing Law and Dispute Resolution:	The Certificates and any non-contractual obligations arising out of or in connection with the Certificates will be governed by, and construed in accordance with, English law. The Declaration of Trust, the Agency Agreement, the Service Agency Agreement, the Lease Agreement, the Purchase Undertaking and the Sale Undertaking and any non-contractual obligations arising out of or in connection with the same will be governed by English law. In respect of any dispute under any such agreement or deed to which it is a party, Aldar has agreed to arbitration in London under London Court of International Arbitration ("**LCIA**") Rules. Aldar has also agreed to submit to the jurisdiction of the courts of England (the "**English Courts**") in respect of any dispute under the Declaration of Trust, the Agency Agreement, the Service Agency Agreement, the Lease Agreement, the Purchase Undertaking and the Sale Undertaking (subject to the right of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, to require any dispute to be resolved by any other court of competent jurisdiction). Each of the Musataha Agreement, each Sale Agreement entered into under the Purchase Undertaking and each Sale Agreement or Transfer Agreement entered into under the Sale Undertaking will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE, and will be subject to the non-exclusive jurisdiction of the Abu Dhabi courts. The Corporate Services Agreement will be governed by the laws of the Cayman Islands and will be subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.
Waiver of Immunity:	To the extent that Aldar may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, Aldar will agree in the Transaction Documents to which it is a party not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings or disputes. Further, Aldar will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, in relation to jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings or disputes. Aldar however expressly disclaims whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedure ("**Article 247**") will apply to its assets, revenues or property and the above provisions shall be read subject to Article 247.
Limited Recourse:	Each Certificate represents solely an undivided ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available for the Trust Assets. See further, Condition 4 (*Status and Limited Recourse*).
Selling Restrictions:	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial

	Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), the Cayman Islands, Singapore, Hong Kong, Switzerland and Malaysia.
Use of Proceeds:	The proceeds of the issue of the Certificates will be paid to Aldar as described in "*Use of Proceeds*".

RISK FACTORS

The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus. If any, or a combination of, these risks occurs, the Group's business, reputation, financial condition and/or results of operations could be adversely affected. If this occurs, the price of the Certificates may decline and investors could lose all or part of their investment.

The Issuer believes that the factors described below represent all the material risks inherent in investing in the Certificates, but the inability of the Issuer to pay amounts due on the Certificates may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO ALDAR'S BUSINESS AND INDUSTRY

The success of the Group's business is dependent on growth in Abu Dhabi's economy and is significantly affected by trends in Abu Dhabi's real estate market.

Almost all of the Group's assets and developments are located in Abu Dhabi and the Group plans to have the majority of its future developments and operations in Abu Dhabi. As a result, the Group's ability to generate profits from its real estate business is dependent on, among other things, the continued growth of Abu Dhabi's economy and real estate market. Adverse economic conditions in Abu Dhabi, particularly as a result of unanticipated adverse developments in the economy or financial markets both within and outside the Middle East, could cause a loss of investor confidence, a decrease in consumer purchasing power and unanticipated changes in Abu Dhabi's demographic mix, any or all of which may negatively impact the Abu Dhabi real estate market and reduce demand for the Group's properties and services.

Since 2009 and in part reflecting the effects of the global economic crisis, the real estate market in Abu Dhabi began to decline. This decline was manifested in prolonged periods of falling sales prices and rental rates for residential units and falling rental rates for office accommodation and a sharp but limited period of falling rental rates for retail units. For example, according to a Jones Lang Lasalle report titled Abu Dhabi Real Estate Market Overview, Q3 2013 both asking prices for residential units in investment areas and average two-bedroom rental rates continued to decline until the end of 2012 before starting to recover in the first half of 2013 and average rental rates for Grade A offices fell from AED 3,800 per square metre in the fourth quarter of 2008 to AED 1,540 per square metre in the third quarter of 2012, and remained at that level through the third quarter of 2013.

Reflecting these adverse trends, Aldar experienced significantly reduced profitability in 2009 and, in 2010, recorded significant losses driven by impairment charges and negative changes in the fair value of its investment properties. Sorouh was also negatively impacted by these market trends and experienced significantly reduced profitability in 2010.

There is no assurance that the Group will not be adversely affected in the future by negative economic or real estate market trends. These developments could result in any or all of the following outcomes:

- reduced demand for properties (both development plots and completed properties) being sold by the Group, resulting in lower prices being achieved and therefore reduced profitability;
- reduced occupancy rates in tenanted investment properties which would reduce the Group's revenue and its ability to recover certain operating costs such as service charges;
- a reduction in the Group's ability to collect rent and service charge payments from tenants and other contractual payments on a timely basis or at all;
- lower rent levels and the terms on which lease renewals and new leases are agreed being less favourable, thereby reducing profitability;
- the Group's ability to obtain adequate construction management, maintenance or insurance services on commercial terms or at all;

- the Group's ability to obtain funding and/or significantly increase its cost of funding;
- negative changes in the fair value of the Group's investment properties; and
- increased impairment charges.

In addition, negative economic developments could also materially adversely affect other aspects of the Group's business, see "*—The Group's revenue diversification strategy may not be successful*".

The Group's business has depended to a large extent on Aldar's relationship with the Government and continues to depend on the Government's implementation of its development strategy.

Abu Dhabi's leaders have developed a long-term strategy of diversifying Abu Dhabi's economy away from its reliance on oil and gas as the single major revenue source and with a view to creating conditions that are beneficial to the people of Abu Dhabi. The strategy envisages limiting the role of the Government of Abu Dhabi (the "**Government**") to that of a facilitator and an investor in the public facilities needed to fulfil its vision and seeks to encourage the private sector and Government-owned investment entities to drive the process of diversification. See "*Overview of the UAE and Abu Dhabi—Abu Dhabi's economic strategy*".

Aldar was created in 2005 to play an integral role in this strategy by undertaking development projects of a strategic nature in Abu Dhabi. Furthermore, the Government is indirectly the largest shareholder and single customer, and a significant tenant and supporter of Aldar. As at 30 September 2013, Aldar believes that 40 per cent. of its shares were held indirectly by the Government and by Government related entities. In addition rents paid by Government-owned entities account for a significant part of the Group's rental income. The majority of the property in the Group's land bank has been provided to it by the Government free of charge. There is no assurance that the Government will approve any future development plans proposed by the Group or that it will grant any land to the Group to develop such plans.

Because of the various relationships that Aldar has with the Government, any adverse change in Aldar's relations with the Government or changes in the Government's development strategy (or in the timing for implementation of significant aspects of that strategy) could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Aldar's obligations under the Certificates are not guaranteed by the Government

While the Government has in the past provided support to Aldar in terms of land grants and financing, the Government is under no obligation to continue to provide financial support to Aldar, including any future grants of land, and there can be no assurance that any such support will be forthcoming in the future. Entities through which the Government's indirect shareholding in Aldar is held may also sell any or all of their shares at any time. **Potential investors should note that the Government does not guarantee the obligations of Aldar under the Certificates and the Certificateholders do not therefore benefit from any legally enforceable Government backing.** See generally "*Overview of the UAE and Abu Dhabi—The Group's role in the Government's development strategy and its relationship with the Government*".

The recent merger with Sorouh could prove to be costly in terms of management time and resources and may impose post-merger integration risks

The Merger was declared by the UAE Ministry of Economy to be effective on 27 June 2013. The Merger is described in "*Description of the Group—Merger with Sorouh*". The Merger exposes the Group to numerous risks including:

- diversion of management attention and financial resources that would otherwise be available for the on-going development or expansion of existing operations;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the merged business with those of the Group's existing operations;
- challenges in managing the increased scope and complexity of the Group's operations; and
- exposure to unanticipated liabilities and/or difficulties in mitigating contingent and/or assumed liabilities.

Although the Group expects to realise significant synergies from the Merger in the next few years, there is no assurance that all envisaged synergies will be achieved or that the costs of integrating the business will not substantially offset any synergies achieved. If the Group is unable successfully to meet the challenges associated with the Merger, this could have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of the Merger and the significant disruptions in the real estate market in Abu Dhabi it is difficult to predict the future performance of the Group

The Merger became legally effective on 27 June 2013 and was determined to be effective for accounting purposes on 15 May 2013. The financial statements included in this Prospectus are:

- the Aldar Annual Financial Statements;
- the Sorouh Annual Financial Statements; and
- the 2013 Interim Financial Statements.

The Aldar Annual Financial Statements provide an indication of the results of operations of Aldar (before the Merger) in each of 2010, 2011 and 2012. The Sorouh Annual Financial Statements provide an indication of the results of operations of Sorouh (before the Merger) in each of 2010, 2011 and 2012. The 2013 Interim Financial Statements provide a balance sheet for the merged entity at 30 September 2013 but do not provide a complete picture of the results of operations of the merged entity as the results of operations of Sorouh are included on a line by line basis only for the period from 15 May 2013 to 30 September 2013.

In addition, the results of operations of Aldar and Sorouh in each of 2010, 2011 and 2012 have been significantly affected by the downturn in the real estate market in Abu Dhabi since 2010 which:

- In 2010, resulted in materially reduced revenue, increased impairments and significant losses on the fair valuation of investment properties for both Aldar and Sorouh. As a result, Aldar recorded a net loss for 2010 of AED 12.7 billion (compared to a net profit of AED 837 million in 2009) and Sorouh recorded a net profit for 2010 of AED 16 million (compared to a net profit of AED 495 million in 2009).
- In each of 2011 and 2012, resulted in further impairment losses and losses on the fair valuation of investment properties for Aldar and further losses on the fair valuation of investment properties for Sorouh.
- In the nine months to 30 September 2013, resulted in further impairment losses and losses on the fair valuation of investment properties for the Group.

Further, in the nine months to 30 September 2013, the results of operations of the merged entity were materially positively affected by the requirement to fair value all of Sorouh's assets and liabilities (including land that had been granted to it and was therefore held on the balance sheet at nominal value), which contributed to a gain on business combination of AED 2.6 billion.

Principally as a result of the factors described above, the financial statements included in this Prospectus may be of limited use in assessing the Group's likely future cash flows, results of operations or growth.

The Group's revenue diversification strategy may not be successful

Initially, following its establishment in 2005, Aldar's revenues were almost entirely derived from the sale of real estate plots for development and the sale of residential properties developed by it. For a number of years, however, Aldar has sought to diversify its revenue streams through the retention of certain assets developed by it, which led to it owning residential properties, commercial office space, shopping malls and other retail properties, hotels, schools and leisure facilities, from all of which it receives recurring revenues. The Merger has also increased the Group's recurring revenue streams, particularly from residential properties. In 2012, Aldar's recurring revenue (lease payments in respect of residential, office, retail portfolio and other businesses such as hotels, schools, golf courses, operative villages and marinas) accounted for 12.6 per cent. of its total revenue and Sorouh's recurring revenue accounted for 11.3 per cent. of its total revenue. The Group's strategy is to increase its recurring revenues.

The Group's ability to achieve returns on its investment properties will be affected by its ability to generate demand for those properties on terms that are attractive to it. The Group's investment properties include a range of established residential properties, offices and retail establishments (including shopping malls) for which it seeks to attract tenants and hotels and other hospitality venues for which it seeks to attract guests. The Group intends to grow this portfolio significantly by adding newly developed properties, such as The Gate Towers, al rayyana and Yas Mall. From time to time, the Group may also seek to sell investment properties owned by it.

A significant component of the Group's revenue diversification strategy is its development of Yas Mall which is expected to be completed during 2014. Yas Mall is a super regional mall with a gross leasable area of 233,000 square metres and, when opened, will be the largest shopping mall in Abu Dhabi and the second largest shopping mall in the UAE, based on gross leasable area. As at 30 September 2013 approximately 77 per cent. of the gross leasable area in Yas Mall had been pre-let or committed via heads of terms agreements. The Group faces the risk, however, that tenants may default or withdraw (for example if the development of Yas Mall is materially delayed) which could impact the revenue that is able to generate from Yas Mall. In addition, Yas Mall could experience competition from other significant malls in Abu Dhabi which could adversely affect the amount of revenue generated by the mall in the future.

Revenue earned from, and the value of, the investment properties held by, and the other business undertaken by, the Group may be materially adversely affected by a number of factors, including:

- in relation to its residential, commercial and retail properties, an inability to fully let the properties or to achieve target rental returns, whether as a result of competition, adverse economic conditions or otherwise;
- in relation to its hotels and other hospitality properties, an inability to achieve target occupancy and room rates, whether as a result of competition, adverse economic conditions, or political or other developments;
- its inability to adequately manage its communities' maintenance services on commercial terms or at all;
- its inability to collect rent, service charge payments and other contractual payments from tenants and owners on a timely basis or at all;
- tenants delaying payment of rental and other contractual amounts or the premature termination of a tenant's lease as a result of default, all of which could hinder or delay the re-letting of a property;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- adverse events negatively impacting the Group's reputation; and
- changes in applicable laws and regulations which lead to increases in management expenses or unforeseen capital expenditure to ensure compliance.

Any of these factors may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid

Real estate assets are inherently difficult to value. As a result, valuations are subject to substantial uncertainty and subjective judgements and are made on the basis of assumptions which may not be correct. There can be no assurance that the sale of any of the Group's development land or completed properties will be at a price which reflects the most recent valuation of the relevant project, particularly if the Group was forced to sell properties prior to the completion of their development or in adverse economic conditions. In addition, the real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Group's control and may materially adversely impact projects after their most recent valuation date. Because real estate investments in general are relatively illiquid, the Group's ability to promptly sell one or more of its properties in response to changing conditions is limited. Accordingly, should the Group need to sell one or more projects in adverse market conditions, its business, results of operations, cash flows and financial condition could be materially adversely affected if it is unable to sell the project at the desired price or in a timely fashion.

The Group's historic financial results have been significantly influenced by changes in the fair value of its investment properties. Any gains or losses arising from changes in the fair value of the Group's investment properties are required to be included in the Group's consolidated income statement for the period in which they arise. Each of Aldar and Sorouh recorded net fair value losses on their respective investment properties in each of 2010, 2011 and 2012. In the nine months ended 30 September 2013, the Group recorded a fair value loss of AED 313 million on its investment properties. As described in note 4.2 to the Aldar 2012 Financial Statements, determining the fair value of investment properties is a key source of estimation uncertainty which is exacerbated in the current volatile economic climate. There is no assurance that the Group will not continue to experience significant fair valuation losses in respect of its investment properties in future periods.

The Group's business may require external financing which may be difficult or expensive to obtain

The Group aims to finance its projects through internally-generated cash flow, including from the sale of development land and completed properties, available cash and liquidity and third party financing. The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and market conditions, international and domestic interest rates, credit availability from banks or other financiers, investor confidence in the Group and the success of the Group's business. In past years, global credit markets have experienced difficult conditions, including reduced liquidity, greater volatility, widening of credit spreads, liquidity and solvency concerns at both regional and international banks leading to significant government intervention and financial support, and decreased availability of funding generally. More recently, concerns of the economic performance, levels of indebtedness and ability of certain sovereigns, particularly in Europe, to repay their debt have also disrupted the global credit markets. Any recurrence of these developments or the occurrence of other developments having similar effects could make it difficult or significantly more expensive for the Group to obtain additional financing, either on a short-term or long-term basis, to fund developments or to repay existing financing.

The Group is exposed to a range of development and construction risks

When undertaking its development activities for its own account, the Group faces a number of risks common to development companies, including:

- uncertainties as to market demand or a decline in market demand after construction has begun;
- the inability or unwillingness of customers to make contracted progress payments on units or land sale contracts;
- an inability to obtain desirable property locations;
- delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental and regulatory permits, approvals and authorisations;
- delays in completing necessary infrastructure works;
- requirements to make significant current capital expenditures for certain properties without receiving revenue from these properties until future periods;
- possible shortage of available cash to fund construction and capital improvements and the related possibility that financing for these capital improvements may not be available to the Group on suitable terms or at all;
- an inability to complete development projects on schedule or within budgeted amounts;
- an inability to pass through risks contractually to contractors as a result of which the Group becomes exposed to various market or contractor risks; and
- fluctuations in occupancy rates at newly completed development projects due to a number of factors, including market and economic conditions, that may result in the Group's investment not being profitable.

There can be no assurance that any or all of the Group's current or future projects will be completed in the anticipated time frame or at all, whether as a result of the factors specified above or for any other reason, and the Group's inability to so complete a project could have a material adverse effect on its business, results of operations, cash flows and financial condition.

Although the Group does not act as a contractor itself, other than through its 60 per cent. owned subsidiary, Pivot Contracting and Engineering WLL ("**Pivot**"), its projects are also exposed to a number of construction risks, including the following:

- default or failure by the Group's contractors to finish projects on time, according to specifications or within budget;
- financial difficulties encountered by the Group's contractors;
- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor;
- disruption in service and access to third parties, such as architects, engineers, interior designers or other service providers;
- design faults and/or defective materials or building methods;
- disputes between contractors and their employees;

- shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances; and
- escalating costs of construction materials, resources, personnel and global commodity prices.

Any of these factors, either alone or in combination, could materially delay the completion of a project or materially increase the costs associated with a project, which could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition. The failure to complete construction according to specifications may also result in liabilities, reduced efficiency and lower financial returns.

The Group and its consultants and contractors are also exposed to the risk of incidents occurring in relation to the Group's developments, which may or not be caused by design faults, construction defects or failures to comply with applicable health and safety or other regulatory requirements. For example, in relation to its al rayanna development, in September 2012 a courtyard collapsed into an underground car park, which was unoccupied at the time. Investigations by the public prosecutor to date have not apportioned any liability to Aldar and standard insurances were in place. However, there can be no certainty that any future similar incidents may not result in personal injuries, loss of life or material property damage for which the Group might be responsible in whole or in part. Any such incidents could have a material adverse effect on the Group through fines or other sanctions, through damage to its reputation and through remediation costs if the incident is not covered by insurance,

In addition, a prolonged period of difficult economic conditions could result in slow downs and/or defaults in the performance of services by contractors who are faced with financial difficulties as well as in defaults in payments for completed properties and development land sold by the Group. These effects could be aggravated by the fact that the Group may still need to complete the development of the amenities of any affected projects in order to properly service the projects and by the fact that the Group may be relying on income from certain projects in order to repay financing incurred by it in connection with a particular project or any other projects.

The Group is subject to various environmental and health and safety laws, regulations and standards

The Group has adopted safety standards to comply with applicable laws and regulations in the UAE. In addition, safety requirements are contractually agreed to by the Group's contractors. If the Group and/or one or more of its contractors fails to comply with the relevant standards, either or both may be liable to penalties and the Group's business and/or reputation might be materially and adversely affected.

In addition, the Group seeks to ensure that it and its contractors comply with all applicable environmental laws in the UAE. While the Group believes that it is in compliance with applicable environmental laws, there can be no assurance that the Group will not be subject to environmental liability. If an environmental liability arises in relation to any project owned or operated by the Group and it is not remedied, or it is not capable of being remedied, this may have a material adverse effect on such project and the Group's business, results of operations, cash flows and financial condition. In addition, the liability could result in a reduction of the value of the relevant project or property or affect the Group's ability to dispose of such project or property.

Amendments to the existing laws and regulations relating to health and safety and environmental standards may impose more burdensome and costlier requirements and the Group's compliance with such laws or regulations may require it to incur significant capital expenditure or other obligations or liabilities, which may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Competition in the Abu Dhabi real estate market or in relation to the Group's other businesses may increase

The real estate sector in Abu Dhabi is developing and, while the Group's acquisition of land is typically not a competitive process, the Group may face competition from other property developers at the time at which any of its projects are marketed. Such competition may affect the Group's ability to sell development land or completed properties at expected prices, if at all, or, in relation to investment properties, attract and retain tenants, resulting in lower than expected rents. The Group's competitors may lower their pricing or rental rates for properties which are comparable to those being sold or leased by the Group, which may result in pressure on the Group's pricing and rental rates. In addition, if the Government should decide to support new entrants or other property development companies to implement its development strategy, this could provide a source of competition to which the Group is currently not subject. See "—*The Group's business has depended significantly on Aldar's relationship with the Government and continues to depend on the Government's implementation of its development strategy*". These circumstances, either alone or in combination, may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

In addition, the Group is also subject to competition in relation to the other businesses which it operates, including its schools, hotels, construction, facilities management and other businesses. In many of these businesses the Group competes with entities that have more resources and/or expertise than the Group. To the extent that the Group is unable to compete effectively in any businesses area, its revenues and profitability from that business may be adversely affected which could have an adverse effect on the Group's results of operations and financial position.

The Group's projects or other businesses could be exposed to catastrophic events over which the Group has no control

The Group's business operations and development and construction projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes, volcanoes, fires or typhoons) or other catastrophic events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- major accidents, including chemical and radioactive or other material environmental contamination; and
- major epidemics affecting the health of persons in the region and travel into the region.

The occurrence of any of these events at one or more of the Group's development or construction projects may cause disruptions to the Group's operations in part or in whole. In addition, such an occurrence may increase the costs associated with the Group's development and construction projects, may subject the Group to liability or impact its brand and reputation and may otherwise hinder the normal operation of the Group's facilities, which could have a material adverse effect on its business, results of operations, cash flows and financial condition. The effect of any of these events on the Group's financial condition and results of operations may be worsened to the extent that any such event involves risks for which the Group is uninsured or not fully insured, see "—*The Group may not have adequate insurance*" below.

The Group could be adversely affected if it retains high levels of leverage

As at 30 September 2013, the Group's total consolidated assets were AED 44.8 billion. As at the same date, the Group's interest bearing loans and borrowings totalled AED 14.4 billion, with AED 11.3 billion, maturing in one year. Although the Group plans to reduce its borrowings in future years, to the extent that it retains significant levels of debt in the future, the Group's future leverage could:

- require a substantial portion of the Group's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities and to pay dividends;
- expose the Group to the risk of increased interest rates with respect to its borrowings at variable rates of interest;
- limit the Group's ability to react to changes in Abu Dhabi's economy or real estate market;
- limit the Group's ability to obtain additional financing for working capital, capital expenditures, project development, debt service requirements and general corporate or other purposes; and
- increase the likelihood of failure to meet all of its debt obligations.

The Group's ability to reduce its borrowings is substantially dependent on receipt of contractually committed cash flows from the Government, the timing of which is not always certain, see "—*The Group has significant receivables and could be materially adversely affected by any failure to receive these receivables on time or in full*". Any failure by the Group to reduce its borrowings in the future could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

The Group may not have adequate insurance

Although the Group seeks to ensure that its projects, income-generating properties and other businesses are appropriately insured, no assurance can be given that any existing insurance policies will be renewed on equivalent terms or at all. In addition, the Group's properties and businesses could suffer physical damage from fire or other causes, resulting in losses (including loss of rent) that may not be fully compensated by insurance. Further, certain types of risks and losses (for example, losses resulting from terrorism, acts of war or certain natural disasters) are not economically insurable or generally insured. If an uninsured or uninsurable loss were to occur or if insurance proceeds were insufficient to repair or replace a damaged or destroyed property, the Group's business, results of operations, cash flows and financial condition may be materially adversely affected.

Where an insured against event occurs, there is no certainty that any proceeds of insurance received will fully cover the loss experienced by the Group. The Group's insurance policies may be subject to deductibles or exclusions that could materially reduce the amount recoverable by the Group and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, the Group's insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

Any failure to attract and retain key personnel may adversely affect the Group's business

The Group believes that its continued success depends, in large part, upon its ability to attract and retain highly qualified professional personnel. Competition for key personnel in the business segments in which the Group operates is intense. The Group's ability to attract and retain key personnel, in particular senior officers, will be dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent, including Government-owned entities which generally offer higher compensation packages. There is no assurance that the Group will be able to retain its key employees which it relies on to execute its business strategy and identify and pursue strategic opportunities and initiatives. In particular, the Group may incur significant costs in replacing senior executive officers or other key employees who leave, and the Group's ability to execute its business strategy could be impaired if it is unable to replace such persons in a timely manner.

If the Group is unable to attract and retain key employees, its business and results of operations may be adversely affected due to: (i) a loss of organisational focus; (ii) poor execution of operations and corporate strategy; or (iii) an inability to identify and execute potential strategic initiatives. These adverse consequences could, among other things, reduce potential revenue or leave the Group unprepared for events in the markets in which it operates, all of which in the aggregate or individually could materially and adversely affect the Group's business, financial condition and results of operations.

Investors should also note that, as at the date of this Prospectus, no permanent appointment has been made in respect of the position of Chief Executive Officer ("**CEO**") of the Group. A global executive search firm has been engaged to identify a new CEO for the Group and candidates have been shortlisted, although Aldar does not expect a new CEO to be appointed until at least early 2014.

Legal and regulatory systems may create an uncertain environment for investment and business activities

The UAE may experience changes in its economy and government policies (including, without limitation, policies relating to foreign ownership, repatriation of profits, property and contractual rights and planning and permit granting regimes) that may have a material adverse affect on the Group's business.

The Group is subject to laws relating to the development, ownership and sale of real estate in the UAE. Such laws are subject to change and the manner in which those laws and related regulations are applied to the Group is still evolving. The Group may not adapt, forecast or position itself to successfully operate in any new regulatory environment and any such failure may have a material adverse effect on its business, results of operations, cash flows and financial condition.

In addition, certain of the Group's operations (for example, its hotels, shopping malls and leisure facilities) are subject to a range of laws and regulations, both at the Abu Dhabi and UAE level, and require the maintenance and renewal of commercial licences and permits. Because of the complexities involved in procuring and maintaining numerous licences and permits, as well as in ensuring continued compliance with applicable licensing regimes, there is no assurance that the Group will at all times be in compliance with all of the requirements imposed on each of its businesses and properties, although it is not aware of any material breaches that currently exist. Any failure by the Group to comply with applicable laws and regulations or to obtain and maintain requisite approvals, certifications, permits and licences could lead to substantial sanctions, including criminal, civil or administrative penalties, revocation of its licences and/or increased regulatory scrutiny, and liability for damages. In certain cases, the Group could also be forced to suspend operations until it obtains required approvals, certifications, permits or licences or otherwise brings its operations into compliance. In addition, any adverse publicity resulting from any compliance failure, particularly as regards the safety of the Group's malls, leisure and entertainment venues, could have a material adverse effect on the Group's financial performance, prospects and reputation.

No assurance can be given that the UAE government will not implement new laws or regulations relating to the property sector or any other business carried on by the Group or adopt fiscal or monetary policies, including those relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Significant management discretion is involved in the preparation of the Group's financial statements for any period

The preparation of the Group's consolidated financial statements requires management to make certain judgements, the most significant of which relate to:

- the determination of the fair values of the Group's investment properties, particularly in current market conditions, see "—*Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid*" above;
- the classification of leases as operating or finance leases and the classification of properties as investment property; property, plant and equipment; or property held for resale;
- the estimation of net realisable value in relation to certain properties;
- the estimation of impairment losses and any reversals of impairment losses, in particular in relation to the Group's investments in joint ventures and associates and its trade and other receivables;
- the determination of the estimated useful lives of property, plant and equipment and intangible assets for calculating depreciation; and
- the determination of the effective date of the Merger and the fair value of the assets and liabilities acquired, which required judgement by management and involves the use of significant estimates and assumptions, including assumptions relating to future cash inflows and outflows, discount rates and market multiples.

The exercise of this discretion may have a material effect on the Group's results of operations as presented in its financial statements and the results of operations so presented could be materially different from those which would have been presented if different assumptions and/or estimates had been used. In addition, there can be no assurance that any assumptions made by management will necessarily prove to have been accurate predictions of future events and the initial accounting for the Merger is subject to future adjustment.

The Group has significant receivables and could be materially adversely affected by any failure to collect those receivables on time or in full

As at 30 September 2013, the Group's trade and other receivables amounted to AED 13.2 billion of which, the Group's agreed and contracted receivables from the Government amounted to AED 9.0 billion. The remaining receivables are principally owed by related parties and customers. The amount and timing of infrastructure reimbursement is subject to completion of audit, technical inspections and other assessments and therefore the Group has limited control over the receipt of these amounts.

If the Group is unable to collect all the receivables owed to it by the Government and other parties in a timely fashion, its business and financial results could be adversely affected.

The Group is exposed to interest rate volatility

A significant proportion of the Group's debt has been entered into on a floating rate basis. Furthermore, the vast majority of the Group's floating rate debt is not hedged. If interest rates increase, the Group will be obliged to pay a higher rate of interest on its debt. Paying a higher rate of interest on its floating rate debt may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

The Group's financing agreements contain restrictions that limit its flexibility in operating its business

The Group's financing agreements contain various covenants that may limit its ability to conduct its business. These covenants include requirements to satisfy certain financial ratios, including maintaining a minimum tangible net worth, a defined minimum level of interest coverage and not exceeding a maximum leverage ratio. Other covenants limit the Group's ability to:

- incur additional indebtedness;
- grant security or create any security interests; and
- consolidate, merge, sell or otherwise dispose of any of its assets.

In addition, certain of the Group's financing agreements contain, and its future financing agreements may contain, cross default clauses whereby a default under one of its financing agreements may constitute an event of default under any financing agreement which contains a cross default clause.

The Group is subject to political and economic conditions in Abu Dhabi, the UAE and the Middle East

The Group currently has almost all of its operations and projects in Abu Dhabi, and plans to have substantially all of its future projects in Abu Dhabi. While Abu Dhabi and the UAE more generally historically have experienced a relatively stable political environment, certain other jurisdictions in the Middle East have not. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Libya, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to increased political uncertainty across the region.

The Group's business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and the Middle East. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance is given that the Group would be able to sustain its operations or profitability if adverse political events or circumstances were to occur. A general downturn or instability in certain sectors of the UAE or the regional economy could have a material adverse effect on the Group's business, results of operations and financial condition. Investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets.

Investors should also be aware that investments in emerging markets, such as the UAE, are subject to greater risks than those in more developed markets, including risks such as:

- political, social and economic instability;
- external acts of warfare and civil clashes;
- governments' actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- regulatory, taxation and other changes in law;
- difficulties and delays in obtaining new permits and consents for business operations or renewing existing ones; and
- potential lack of reliability as to title to real property in certain jurisdictions.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Although the UAE has enjoyed significant economic growth and stability, there is no assurance that such growth or stability will continue. Moreover, while the UAE government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained.

The UAE economy is highly dependent upon its oil revenue

The UAE economy, and the economy of Abu Dhabi in particular, is highly dependent upon its oil revenue. See "*Overview of the UAE and Abu Dhabi*". The Group has in the past received significant support from the Government. In turn, this support has been facilitated by the significant oil revenues of the Government. Declines in international prices for oil products in the future could therefore adversely affect the prospects of any future support for the Group from the Government which, in turn, could adversely affect the Group should it require support at the relevant time.

Historically the markets for petroleum products have been volatile and such markets are likely to be volatile in the future. Any significant declines in international prices for oil products in the future could adversely affect the Government's development strategy for Abu Dhabi or the support for the Group's projects from the Government which, in turn, could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Oil prices have fluctuated and will continue to fluctuate in response to changes in many factors over which the Group has no control. These factors include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels;
- global economic and political conditions;
- prices and the availability of new fuel-related technologies; and
- global weather and environmental conditions.

The Group's business may be adversely affected if the UAE dirham/U.S. dollar peg were to be removed or adjusted

The Group maintains its accounts, and reports its results, in UAE dirham. Since November 1980 and as at the date of this Prospectus, the UAE dirham remains pegged to the U.S. dollar. However, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Group. Since certain of the Group's significant contracts and financing arrangements are denominated in U.S. dollars any such de-pegging or adjustment may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

Changes in UAE tax laws or their application could materially adversely affect the Group's business, financial condition and results of operations

Other than in certain sectors, such as oil and gas and financial services, there are no corporate or income taxes in the UAE. As a result the Group is not currently subject to tax. Any introduction of corporate income tax in the UAE could reduce the net profits of the Group.

Risks Relating to the Certificates

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders, will be against Aldar to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee or Aldar in respect of any shortfall in the expected amounts due under the Trust Assets. Aldar is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against Aldar to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to Aldar and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of Aldar's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Certificates. After enforcing the rights in respect of the Trust Assets (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 6(2) (*The Trust – Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against Aldar shall be to enforce the obligation of Aldar to perform its obligations under the Transaction Documents to which it is a party.

Consents are required in relation to the variation of Transaction Documents and other matters

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Declaration of Trust contains provisions permitting the Delegate from time to time, in its absolute discretion and at any time without any consent or sanction of the Certificateholders to make any modification to any of the provisions of the Certificates, the Declaration of Trust or any other Transaction Document if, in the sole opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter (as defined in the Declaration of Trust). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders. The Delegate may further agree to any waiver or authorisation of any breach or proposed breach of the Conditions, the Declaration of Trust or any other Transaction Document, in each case as further described in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

The Certificates may be subject to early redemption

If the amount payable on the Certificates is required to be increased to include additional amounts in certain circumstances and/or Aldar is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in the Cayman Islands or the UAE or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions.

Such early redemption feature is likely to limit the market value of the Certificates. During any period when the Trustee may elect to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Dissolution Amount payable. The Trustee may be expected to redeem the Certificates when Aldar's cost of financing is lower than the profit rate (including such additional amounts as are referred to above) on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

Certificates with a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

As the Certificates have a denomination consisting of the minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates.

If a Certificateholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts of at least a Specified Denomination in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

No assurance can be given as to Shari'a rules

The Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, *Shari'a* compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, Aldar, the Delegate or the Managers makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with *Shari'a* principles.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the LCIA Rules. Aldar has also agreed under certain of the Transaction Documents to submit to the jurisdiction of the English Courts. In such circumstances, the arbitrator or judge, as the case may be, may first apply the relevant law of the relevant Transaction Document rather than *Shari'a* principles in determining the obligation of the parties.

Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks relating to the Musataha Interest and the Lease

Risks relating to the Musataha Interest

Pursuant to the Musataha Agreement, Aldar shall grant the Musataha Interest to the Trustee in return for the payment by the Trustee of the Musataha Consideration (being equal to the net proceeds received by the Trustee in connection with the issue of the Certificates).

Under Abu Dhabi law, a right in rem in any property (such as the grant of a Musataha Interest to the Trustee as described above) is only created once registration in the land register at the Abu Dhabi Land Department has been completed. It should be noted however that there is no intention for the Trustee or Aldar to register the Musataha Interest at the Abu Dhabi Land Department, and registration of the Musataha Interest shall only take place at such time as the parties to the Musataha Agreement mutually agree to do so.

Consequently, although the grant of the Musataha Interest will be effective between Aldar and the Trustee in relation to their respective contractual obligations (notwithstanding any lack of registration), such grant shall not be effective as against the rights of third parties.

Although no legal actions seeking to question the validity or enforceability of a musataha interest for lack of registration have been brought to date in the courts of Abu Dhabi, if any such action is brought, there can be no assurance that an Abu Dhabi court would recognise the validity of the grant of the Musataha Interest either as between the parties or as against the rights of third parties.

Notwithstanding the above, if Aldar or a liquidator of Aldar disclaims or repudiates any of its obligations under the Transaction Documents to which Aldar is a party (including without limitation in respect of its obligations relating to the grant of the Musataha Interest and/or purchase of the Asset Portfolio), this will constitute a Dissolution Event under the Conditions which will enable the Trustee to exercise its rights under the Purchase Undertaking in accordance with Condition 15 (*Dissolution Events*). In such case, Aldar will be obliged under the terms of the Purchase Undertaking to purchase the Asset Portfolio from, and pay the Exercise Price to, the Trustee and the Certificates shall become immediately due and payable at their Dissolution Amount. To the extent that such a payment is not made by Aldar, for example, if the rights of the Trustee to the Asset Portfolio are challenged, Aldar has agreed under the Purchase Undertaking and the Declaration of Trust to indemnify the Trustee in an amount equal to the Exercise Price. As at the date of this Prospectus, however, this matter has not been considered by the Abu Dhabi or UAE courts, and there can be no assurance as to the interpretation that the Abu Dhabi or UAE courts would apply in such circumstances.

Risks relating to the Lease

Pursuant to the Lease Agreement, the Trustee will lease the Asset Portfolio (including the Musataha Interest) to Aldar for the life of the Certificates, in return for which Aldar as lessee will pay agreed lease rental payments in amounts equal to the Periodic Distribution Amounts due under the Certificates on each Periodic Distribution Date.

Under Abu Dhabi law, a valid lease can only be granted if the relevant lessor holds a sufficiently robust real estate interest in the relevant property in respect of which the lease is to be granted. Therefore, the Lease to be granted by the Trustee (as lessor) to Aldar (as lessee) will only be effective as against third parties under Abu Dhabi law upon registration of the Musataha Interest and (if required to be registered as described in the following paragraph) upon registration of the Lease itself. There is however no intention for the Trustee or Aldar to register the Musataha Interest at the Abu Dhabi Land Department. (see "—*Risks relating to the Musataha Interest*" above for further details). The Lease will however be effective between Aldar and the Trustee in relation to their respective contractual obligations.

Furthermore, under Abu Dhabi law, any lease with a duration that is greater than four years is required to be registered at the Properties Registration Section of the Abu Dhabi Land Department to be perfected. As the Certificates have a maturity of more than four years, the Lease will also have the same duration and will therefore prima facie need to be registered at the Properties Registration Section of the Abu Dhabi Land Department to be valid as against third parties. Currently, the Properties Registration Section does not have the requisite internal systems in place to allow the registration of leases of greater than four years and consequently it will not be possible to register the Lease. However, the Lease will become enforceable against third parties only upon registration of both the Musataha Interest and the Lease.

Although no legal actions seeking to question the validity or enforceability of the lease of assets subject to a musataha interest for lack of registration (of either the relevant musataha interest or the lease) have been brought to date in the courts of Abu Dhabi, if any such action is brought, there can be no assurance that an Abu Dhabi court would recognise the validity of the purported Lease of the Asset Portfolio either as between the parties or as against the rights of third parties.

Risks Relating to Enforcement

Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Abu Dhabi

The payments under the Certificates are dependent upon Aldar making payments to the Trustee in the manner contemplated under the Transaction Documents. If Aldar fails to do so, it may be necessary to bring an action against Aldar to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

Each of the Declaration of Trust, the Agency Agreement, the Lease Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking and the Certificates are governed by

English law (the "**English Law Documents**") and Aldar has agreed (where the arbitration arrangements described below are not applied) to submit to the exclusive jurisdiction of the courts of the English Courts in respect of any dispute, claim, difference or controversy arising out of or in connection with the English Law Documents, subject to the right of the Delegate, the Certificateholders, the Agents or the Trustee, as the case may be, to elect to bring proceedings in any other court or courts of competent jurisdiction.

Under current UAE law, the UAE courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the interpretation by an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, court decisions in the UAE are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The parties to each of the English Law Documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA in London. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation decision was a final decision. The uncertainty regarding the interpretation and application of the New York Convention provisions by the Courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Abu Dhabi courts will take the same approach in similar proceedings in the future.

No assurance can be given as to any change of law

The structure of the issue of the Certificates is based on English law, the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English, UAE law or administrative practices in such jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of Aldar to comply with its obligations under the Transaction Documents to which it is a party.

Risks Related to the Market Generally

Set out below is a brief description of the principal market risks, including liquidity risk, credit risk, exchange rate risk and interest rate risk:

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of

Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold those Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the Irish Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Prospectus or at all or, if it does occur, that it will enhance the liquidity of the Certificates.

Credit ratings may not reflect all risks

S&P and Moody's have each assigned a credit rating to the Certificates. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of repayment and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price for the Certificates.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Exchange rate risks and exchange controls

The Trustee will make all payments on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any Periodic Distribution Amount or Dissolution Amount on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate may not be available at such Certificate's maturity.

Interest rate risks

Investment in fixed rate debt instruments, such as the Certificates, involves the risk that subsequent changes in market interest rates may adversely affect the value of such fixed rate debt instruments.

Risks Relating to Taxation

EU Savings Directive

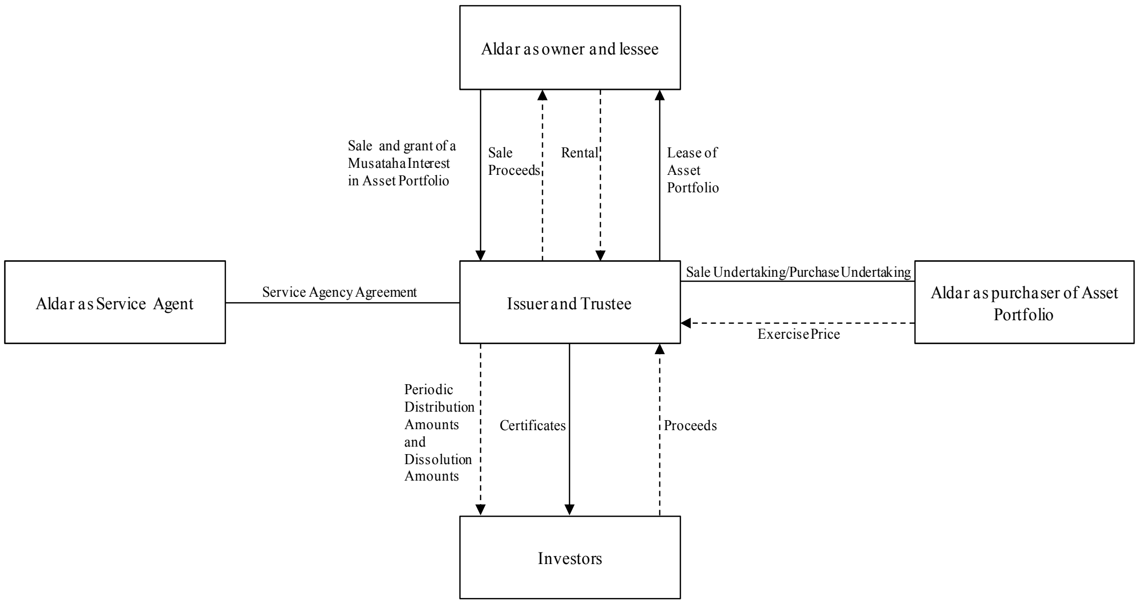
Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35.0 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories including Switzerland have adopted similar measures with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Certificates as a result of the imposition of such withholding tax. Aldar and the Trustee are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the Certificates. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Trustee will collect the proceeds from investors (the "**Proceeds**") to purchase from Aldar pursuant to a musataha agreement (the "**Musataha Agreement**"), a grant of a musataha interest (the "**Musataha Interest**"), being a right to use and develop a portfolio (the "**Asset Portfolio**") of land assets (each plot of land comprising the Asset Portfolio, an "**Aldar Asset**"). On the Closing Date, the Asset Portfolio (including the Musataha Interest) shall be leased by the Trustee (in such capacity, the "**Lessor**") to Aldar (in such capacity, the "**Lessee**") pursuant to a lease agreement (the "**Lease Agreement**") in return for periodic payment of rent by Aldar to the Trustee (the "**Rental**").

The Trustee will appoint Aldar as its service agent (the "**Service Agent**") to provide certain services in respect of the Asset Portfolio pursuant to a service agency agreement (the "**Service Agency Agreement**").

Periodic Distribution Payments

Prior to each Periodic Distribution Date in respect of the Certificates, the Rental in respect of the previous Rental Period will be paid to an account of the Trustee (the "**Transaction Account**") in accordance with the Lease Agreement. Such Rental shall be sufficient to fund the amounts payable under Condition 6.2 (*Application of Proceeds from the Trust Assets*) (including, but without limitation the Periodic Distribution Amounts payable by the Trustee in respect of the Certificates) and shall be applied by the Trustee for that purpose.

Partial Redemption following a Change of Control Event

If a Change of Control Event occurs, Certificateholders have the ability to exercise a Change of Control Put Option and require their Certificates to be redeemed on the Change of Control Put Option Date (which shall be the next Periodic Distribution Date following the end of the Change of Control Put Period) at the Change of Control Amount. Any such redemption shall be funded through the exercise by the Trustee of its right under the Purchase Undertaking to require Aldar to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate value no greater than the aggregate face amount of the Certificates to be redeemed on the Change of Control Put Option Date.

If the Change of Control Put Option is exercised by holders of 100 per cent. of the aggregate outstanding face amount of the Certificates, the Trust will be dissolved in the manner described in "*Dissolution Payments*" below.

Dissolution Payments

On the Scheduled Dissolution Date, the Trustee will have the right under the Purchase Undertaking to require Aldar to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio. The exercise price payable by Aldar is intended to fund the Dissolution Amount payable by the Trustee.

The Trust may be dissolved prior to the Scheduled Dissolution Date for the following reasons: (i) redemption following a Dissolution Event; (ii) following the occurrence of a Tax Event; (iii) following the occurrence of a Change of Control Event where the Change of Control Put Option is exercised by holders of 100 per cent. of the aggregate outstanding face amount of the Certificates; (iv) at the option of the Trustee if, following the occurrence of a Change of Control Event, holders of 75 per cent. or more of the aggregate outstanding face amount of those Certificates exercise their Change of Control Put Option; and (v) upon the occurrence of a Total Loss Event.

In the case of sub-paragraphs (i), (ii), (iii) and (iv), the amounts payable by the Trustee on the Dissolution Date will be funded in a similar manner as for the payment of the Dissolution Amount. In the case of sub-paragraph (v), the amounts payable to Certificateholders will be an amount equal to the sum of: (A) the proceeds of any insurance policies which the Service Agent has entered into for and on behalf of the Trustee in respect of the relevant Aldar Assets; and/or (B) any Total Loss Shortfall Amount which the Service Agent is required to transfer to the Transaction Account by no later than the 31st day after the occurrence of a Total Loss Event, such amount being intended to be sufficient in order to redeem the Certificates in full.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form and will apply to the Global Certificate.

Each of the U.S.$750,000,000 Trust Certificates due 2018 will represent an undivided ownership interest in the Trust Assets (as defined in Condition 6.1 (*The Trust – The Trust Assets*)) which are held by Sukuk Funding (No. 3) Limited (the "**Trustee**") on trust (the "**Trust**") for, *inter alia*, the benefit of the registered holders of the Certificates pursuant to a declaration of trust (the "**Declaration of Trust**") dated 3 December 2013 (the "**Closing Date**") and made between the Trustee, Aldar Properties PJSC ("**Aldar**") and Citibank N.A., London Branch in its capacity as donee of certain powers and as delegate of the Trustee as set out in the Declaration of Trust (the "**Delegate**" which expression shall include any co-delegate or any successor). A musataha agreement (the "**Musataha Agreement**") will be entered into on the Closing Date between Sukuk Funding (No. 3) Limited (in its capacity as Trustee) and Aldar, whereby the Trustee will purchase from Aldar (in such capacity, the "**Owner**") a grant of a musataha interest (the "**Musataha Interest**"), being a right to use and develop a portfolio (the "**Asset Portfolio**") of identified land assets (each such asset, an "**Aldar Asset**") specified in the Musataha Agreement. The Asset Portfolio, together with the Musataha Interest will be leased pursuant to a lease agreement (the "**Lease Agreement**") entered into between the Trustee (in its capacity as lessor, the "**Lessor**") and Aldar (in its capacity as lessee, the "**Lessee**") on the Closing Date. Pursuant to the Lease Agreement, the Lessee shall agree to make periodic rental payments ("**Rental**") to the Lessor in respect of the Asset Portfolio.

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the "**Agency Agreement**") made between the Trustee, the Delegate, Aldar, Citibank N.A., London Branch in its capacities as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor and, together with any further or other paying agents appointed from time to time in accordance with the Agency Agreement, the "**Paying Agents**", which expression shall include any successors) and calculation agent (in such capacity, the "**Calculation Agent**", which expression shall include any successor) and Citigroup Global Markets Deutschland AG in its capacities as registrar (in such capacity, the "**Registrar**", which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the "**Transfer Agents**", which expression shall include any successors). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these Conditions as the "**Agents**".

Subject as set out below, copies of the documents set out below are available for inspection and obtainable free of charge by the Certificateholders during normal business hours at the specified office for the time being of the Principal Paying Agent. The holders of the Certificates (the "**Certificateholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below:

(a) the service agency agreement between the Trustee and Aldar (in its capacity as service agent, the "**Service Agent**") dated the Closing Date (the "**Service Agency Agreement**");

(b) the purchase undertaking made by Aldar for the benefit of the Trustee and the Delegate dated the Closing Date (the "**Purchase Undertaking**");

(c) the sale undertaking made by the Trustee for the benefit of Aldar dated the Closing Date (the "**Sale Undertaking**");

(d) the Musataha Agreement;

(e) the Lease Agreement;

(f) the Declaration of Trust; and

(g) the Agency Agreement.

The documents listed above in (a) to (g) (inclusive) are referred to in these Conditions as the "**Transaction Documents**". The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders, to: (i) apply the sums paid by it in respect of its Certificates to the Purchaser in accordance with the Musataha Agreement; and (ii) enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

1. INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In addition, in these Conditions:

(i) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 11 (*Taxation*) and Condition 14 (*Capital Distributions of the Trust*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;

(ii) references to Certificates being "**outstanding**" shall be construed in accordance with the Declaration of Trust; and

(iii) any reference to a Transaction Document (as defined above) shall be construed as a reference to that Transaction Document as amended and/or supplemented from time to time,

and in these Conditions, the following expressions shall have the following meanings:

"**Aldar Asset**" has the meaning given to it in Condition 6.1 (*The Trust – The Trust Assets*);

"**Aldar Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Asset Portfolio**" has the meaning given to it in Condition 6.1 (*The Trust – The Trust Assets*);

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, Abu Dhabi and London;

"**Calculation Date**" means 31 March, 30 June, 30 September and 31 December in each calendar year, **provided that** if Aldar were to change its financial year then such dates would be adjusted accordingly;

"**Cash and Bank Balances**" means, at any time (on a consolidated basis), cash in hand or cash at bank, including deposits held with banks, and credited to an account in the name of any member of the Group and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled and for so long as:

(a) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any Group member or of any other person whatsoever or on the satisfaction of any other condition; and

(b) there is no Security Interest over that cash other than any rights of netting or set-off arising in the ordinary course of banking transactions and also excluding any extension, renewal or replacement of such rights **provided that** the amount of Cash and Bank Balances subject to such rights is not increased and such extension, renewal or replacement takes place on arm's-length terms between independent, informed and willing parties under no compulsion to extend, renew or replace such rights,

in each case, as interpreted and calculated in accordance with the latest available Relevant Accounts but using the accounting principles and standards adopted by Aldar for the preparation of the Relevant Accounts for the period ended 31 December 2012;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, whether now outstanding or issued after the date hereof, including, without limitation, all series and classes of such Capital Stock;

"**Certificates**" means U.S.$750,000,000 Trust Certificates due 2018;

"**Change of Control Amount**" means, in relation to each Certificate to be redeemed pursuant to Condition 14.3(a) (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*), an amount equal to the face amount of such Certificate, together with any due but unpaid Periodic Distribution Amount;

"**Change of Control Event**" shall occur if any person other than the Government acquires more than 50 per cent. of the issued share capital of Aldar;

"**Change of Control Notice**" has the meaning given to it in Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Put Notice**" has the meaning given to it in Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Put Option Date**" shall be: (i) a date falling not less than 60 days following the expiry of the Change of Control Put Period; and (ii) a Periodic Distribution Date;

"**Change of Control Put Period**" shall be the period of 30 days commencing on the date that a Change of Control Notice is given;

"**Change of Control Trustee Call Option**" has the meaning given to it in Condition 14.3(b) *(Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*);

"**Consolidated Finance Charges Payable**" means all Finance Charges (but excluding Finance Charges on trade payables) incurred by the Group (other than to another member of the Group) during a Measurement Period;

"**Consolidated Finance Charges Receivable**" means all financing charges received or receivable by the Group (other than to another member of the Group) during a Measurement Period;

"**Consolidated Net Finance Charges Payable**" means Consolidated Finance Charges Payable less Consolidated Finance Charges Receivable during the relevant Measurement Period;

"**Customer Deposits**" means deposits made by potential or actual purchasers of real estate of any member of the Group in the ordinary course of its day to day real estate and development activities, **provided that** no member of the Group has entered into or is subject to any obligation to repurchase the corresponding real estate from the relevant potential or actual purchaser;

"**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust;

"**Dispute**" has the meaning given to it in Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*);

"**Dissolution Amount**" means, in relation to each Certificate, the aggregate face amount of that Certificate, together with any accrued but unpaid Periodic Distribution Amount;

"**Dissolution Date**" means, the earlier to occur of:

(a) the Scheduled Dissolution Date;

(b) the Tax Dissolution Date;

(c) the Total Loss Dissolution Date;

(d) the date on which all of the Certificates are redeemed following the exercise of the Change of Control Put Option or the Change of Control Trustee Call Option;

(e) the date on which all of the Certificates are cancelled following the purchase of such Certificates by or on behalf of Aldar and or any of its Subsidiaries pursuant to Condition 13.1 (*Purchase and Cancellation of Certificates – Purchases*); and

(f) the Dissolution Event Redemption Date;

"**Dissolution Event**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Notice**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 15 (*Dissolution Events*);

"**EBITDA**" means, in relation to any period, the annualised consolidated net profit of Aldar for that period (which, where any part of such period includes any period before 15 May 2013, shall include for the purposes of the calculation of such profit of Aldar, the consolidated EBITDA of Sorouh for the period before 15 May 2013) as calculated before: (i) taxation; (ii) Total Consolidated Financial Indebtedness Costs; and (iii) depreciation or amortisation of tangible and intangible fixed assets charged in the period) but adjusted to the extent necessary to exclude:

(a) any share of the profit or loss of any minority interest;

(b) any amounts written off the value of investments; and

(c) extraordinary and exceptional items, including realised and unrealised exchange gains and losses, any revaluation gains or losses on any assets, in each case which do not relate to ordinary trading activities and gains or losses from any direct (or indirect) investment of Aldar in any Related Person,

all as interpreted and calculated in accordance with the Relevant Accounts but using the accounting principles and standards adopted by Aldar for the preparation of the Relevant Accounts for the period ended 31 December 2012;

"**Exercise Notice**" means an exercise notice served pursuant to the Purchase Undertaking or the Sale Undertaking (as the case may be);

"**Exercise Price**" means the amount set out in the relevant Exercise Notice;

"**Extraordinary Resolution**" has the meaning given to it in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*);

"**Finance Charges**" means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Financial Indebtedness (whether, in each case, paid or payable by any member of the Group (calculated on a consolidated basis)) in respect of that Measurement Period;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount drawn on any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would be treated as a finance or capital lease in accordance with the accounting standards, policies and procedures published from time to time by the International Accounting Standards Committee or any successor;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any *Shari'a*-compliant financing, forward sale or purchase agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of either a borrowing or a drawing under a credit facility;

(g) to the extent not otherwise included in this definition, the amount of any liability in respect of any repurchase or put option arrangement entered into in connection with any securitisation transaction;

(h) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above,

provided always that any indebtedness in respect of Customer Deposits shall not constitute Financial Indebtedness;

"**Government**" means the Government of Abu Dhabi, or any entity controlled, directly or indirectly, by the Government of Abu Dhabi, where "control" means that the Government of Abu Dhabi (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policy of that entity;

"**Group**" means Aldar and its direct and indirect Subsidiaries at the relevant point in time;

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board;

"**Independent Appraiser**" means any independent firm of property surveyors or independent firm of appraisers, in each case of international standing selected by Aldar and approved by the Delegate;

"**Investment Grade Rating**" means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by Standard & Poor's; and (iii) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any other Rating Agency;

"**Investment Grade Status**" means that Aldar has an Investment Grade Rating from any one or more Rating Agencies;

"**Material Subsidiary**" means any Subsidiary:

(i) whose total revenue or whose total assets represent not less than 10 per cent. of the consolidated total revenue of Aldar, or, as the case may be, the consolidated total assets of Aldar, in each case as determined by reference to the Relevant Financial Statements; and/or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon in the case of a transfer by a Material Subsidiary, (a) the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the Relevant Financial Statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

A report by two duly authorised officers of Aldar that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding;

"**Measurement Period**" means each period of 12 months ending on a Calculation Date;

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, **provided that** (i) any Security Interest given by Aldar or any of its Subsidiaries in connection therewith is limited solely to the assets of the project, (ii) the Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to Aldar or any of its Subsidiaries in respect of any default by any Person under the financing;

"**Payment Business Day**" means:

(a) in the case where presentation and surrender of a Definitive Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of the Definitive Certificate are open for presentation and payment of securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account, a day on which banks are open for general business (including dealings in foreign currencies) in New York City, Abu Dhabi and London;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8.1 (*Periodic Distributions – Periodic Distribution Amounts and Periodic Distribution Dates*);

"**Periodic Distribution Date**" has the meaning given to it in Condition 8.1 (*Periodic Distributions – Periodic Distribution Amounts and Periodic Distribution Dates*);

"**Permitted Financial Indebtedness**" means:

(a) Financial Indebtedness of any member of the Group Incurred and outstanding on or prior to the date on which a Subsidiary became a Subsidiary of Aldar or is merged with or into or consolidated with Aldar or any Subsidiary of Aldar (other than any Financial Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which the Subsidiary became a Subsidiary of Aldar or is merged with or into or consolidated with Aldar or any Subsidiary of Aldar); or

(b) Refinancing Financial Indebtedness incurred by Aldar or a Subsidiary of Aldar;

"**Permitted Security Interest**" means:

(a) any Security Interest securing Relevant Indebtedness or a Relevant Sukuk Obligation of a Person and/or its Subsidiaries existing at the time that such Person is merged into, or consolidated with, or acquired by Aldar or a Subsidiary of Aldar **provided that** such Security Interest was not created in contemplation of such merger, consolidation or acquisition; and

(b) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or agency, or political subdivision thereof, or other entity;

"**Proceedings**" has the meaning given to it in Condition 22.4 (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*);

"**Rating Agency**" means Fitch Ratings Limited, Moody's or Standard & Poor's or any of their successors or any other internationally recognised statistical rating organisation;

"**Record Date**" means: (i) (where the Certificate is represented by the Global Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date or Dissolution Date, as the case may be; or (ii) (where the Certificate is in definitive form), in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of the Dissolution Amount, the date falling two Payment Business Days before the Dissolution Date, as the case may be;

a Certificateholder's "**registered account**" means the account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date;

a Certificateholder's "**registered address**" means its address appearing on the Register at that time;

"**Refinancing**" means, in respect of any Financial Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease, retire, amend, restate, modify, supplement or replace, including the issue of other Financial Indebtedness in exchange or replacement for, such Financial Indebtedness, and "**Refinances**" and similar terms are to be construed accordingly;

"**Refinancing Financial Indebtedness**" means:

(a) all Financial Indebtedness incurred on or before 31 December 2014, provided that Total Net Consolidated Financial Indebtedness after the Incurrence of such Financial Indebtedness is not more than AED 10,300,000,000 (or its equivalent in any other currency at the time of such Incurrence); or

(b) Financial Indebtedness incurred (whether in a single financing or one or more separate financings) to Refinance any amount or amounts of Financial Indebtedness of Aldar or any Subsidiary of Aldar in existence at the Closing Date, arising under or in connection with the Certificates or Incurred in accordance with Condition 5.2 (*Limitation on incurrence of Financial Indebtedness*), including Financial Indebtedness that Refinances Refinancing Financial Indebtedness, provided, however, that:

    (i) such Refinancing Financial Indebtedness has a Stated Maturity no earlier than each Stated Maturity of the Financial Indebtedness being Refinanced;

    (ii) such Refinancing Financial Indebtedness has an aggregate principal amount (or if Incurred with an original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with an original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium) under the Financial Indebtedness being Refinanced; and

(iii) if the Financial Indebtedness being Refinanced is subordinated in right of payment to Aldar's payment obligations under the Transaction Documents, such Refinancing Financial Indebtedness is subordinated in right of payment to Aldar's payment obligations under the Transaction Documents at least to the same extent as the Financial Indebtedness being Refinanced;

and in each case, Refinancing Financial Indebtedness shall not include Financial Indebtedness of a Subsidiary that Refinances Financial Indebtedness of Aldar;

"**Related Person**" means any Person in which Aldar owns, directly or indirectly, 20 per cent. or more of the Capital Stock but which is neither controlled nor consolidated in the Relevant Accounts;

"**Relevant Accounts**" means, at any time, the most recent publicly available annual audited or interim reviewed consolidated financial statements of Aldar, prepared in accordance with International Financial Reporting Standards, or such other international financial reporting standards as may be adopted from time to time by Aldar;

"**Relevant Date**" means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received;

"**Relevant Financial Statements**" means, in relation to Aldar, its most recently available consolidated audited financial statements prepared in accordance with IFRS and, in relation to a Subsidiary, its most recently available audited financial statements (consolidated if the same are prepared) prepared in accordance with IFRS;

"**Relevant Indebtedness**" means, in relation to any Person, any indebtedness of such Person which is in the form of or represented by any bond, note, loan stock, debenture or similar instrument which is, or is intended to be, or is capable of being, listed, traded or dealt in on any stock exchange or over the counter market;

"**Relevant Jurisdiction**" means the Cayman Islands and the United Arab Emirates or any Emirate therein or, in either case, any political subdivision or authority thereof or therein having the power to tax;

"**Relevant Period**" has the meaning given to it in Condition 8.2 (*Periodic Distributions – Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date*);

"**Relevant Proportion**" means the proportion that the Capital Stock owned, directly or indirectly, by Aldar in any Related Person bears to the total Capital Stock of that Related Person;

"**Relevant Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates whether or not in return for consideration of any kind where the trust certificates concerned are, or are intended to be, or are capable of being, listed, traded or dealt in on any stock exchange or over the counter market;

"**Reserved Matter**" has the meaning given to it in Schedule 4 of the Declaration of Trust;

"**Return Accumulation Period**" has the meaning given to it in Condition 8.2 (*Periodic Distributions – Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date*);

"**Rules**" have the meaning given to it in Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*);

"**Scheduled Dissolution Date**" means 3 December 2018;

"**Securitisation**" means any securitisation (whether *Shari'a*-compliant or otherwise) of existing or future assets and/or revenues, **provided that**: (i) any Security Interest given by Aldar or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation, (ii) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability and (iii) there is no other recourse to Aldar or any of its Subsidiaries in respect of any default by any Person other than Aldar or such Subsidiary under the securitisation;

"**Security Interest**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind;

"**Signing Date**" means 27 November 2013;

"**Specified Denomination**" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"**Sorouh**" means Sorouh Real Estate Company PJSC;

"**Stated Maturity**" means, with respect to any Financial Indebtedness, the date specified in the relevant documentation as the fixed date on which the final payment of principal in respect thereof is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Financial Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred);

a "**Subsidiary**" of a company (the parent) shall be construed as a reference to any company:

(a) which is controlled by the parent; or

(b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the parent; or

(c) which is a subsidiary of another subsidiary of the parent,

and, for these purposes, a company shall be treated as being controlled by the parent if the parent (whether directly or indirectly and whether by ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the company or otherwise controls, or has the power to control, the affairs and policies of the company;

"**Sukuk Obligation**" means any undertaking or other obligation;

"**Taxes**" means any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction;

"**Tax Dissolution Date**" has the meaning given to it in Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Tax Event**" has the meaning given to it in Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Total Asset Value**" means (on a consolidated basis):

(a) the Group's total assets (on a consolidated basis) as shown in the latest Relevant Accounts (on the basis of the accounting principles and standards adopted by Aldar for the preparation of the Relevant Accounts; plus

(b) the net proceeds of any additional Financial Indebtedness (for the avoidance of doubt, for the purpose of the calculation of Permitted Financial Indebtedness, the net proceeds of any drawing on any acceptance credit facility shall be included only at the time of such drawing); plus

(c) an amount equal to:

  (i) the aggregate value of all land, investment properties, properties and land under development either:

    (A) owned by any member of the Group; or

    (B) held by any member of the Group under either lease agreements or long term development agreements (*musataha* agreements) which would be treated as a finance or capital lease in accordance with the accounting standards, policies and procedures published from time to time by the International Accounting Standards Committee or any successor, in each case on the relevant calculation date (the "**Relevant Properties**"), as shown in a valuation report of an Independent Appraiser dated no earlier than 12 months prior to the most recently available Relevant Accounts, less

  (ii) the aggregate value of the relevant properties as shown in the most recently available Relevant Accounts; less

(d) the Group's intangible assets (on a consolidated basis) as shown in the latest Relevant Accounts (on the basis of the accounting principles and standards adopted by Aldar for the preparation of the Relevant Accounts; less

(e) the aggregate of all customer advances (on a consolidated basis) as shown in the latest Relevant Accounts (on the basis of the accounting principles and standards adopted by Aldar for the preparation of the Relevant Accounts;

"**Total Consolidated Financial Indebtedness**" means all existing Financial Indebtedness of the Group on a consolidated basis and, for the avoidance of doubt, not including intra-group Financial Indebtedness;

"**Total Consolidated Financial Indebtedness Costs**" means, in respect of any period, all interest, commissions, periodic fees and other financing charges accrued or accreted in respect of all Total Consolidated Financial Indebtedness during that period (including the interest element payable under any finance lease, any finance costs or charges incurred under any Sharia-compliant financing transaction and all amounts payable which are classified as finance charges in respect of financial instruments classified as liabilities in accordance with IFRS, or such other international financial reporting standards as may be adopted, from time to time, by Aldar or, as the case may be, the Relevant Person);

"**Total Loss Dissolution Date**" means the date falling 31 days after a Total Loss Event;

"**Total Loss Event**" is: (i) the total loss or destruction of, or damage to the whole of, the Asset Portfolio or any event or occurrence that renders the whole of the Asset Portfolio permanently unfit for any economic use and (but only after taking into consideration any insurances payable or other indemnity granted by any third party in respect of the Asset Portfolio) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Asset Portfolio in each case as determined by the Service Agent acting for and on behalf of the Trustee;

"**Total Loss Shortfall Amount**" has the meaning given to it in Condition 14.3 (*Capital Distributions of the Trust – Dissolution following a Total Loss Event*);

"**Total Net Consolidated Financial Indebtedness**" means Total Consolidated Financial Indebtedness less all Cash and Bank Balances;

"**Transaction Account**" means, the non-interest bearing transaction account established by the Trustee and held with the Principal Paying Agent denominated in U.S. Dollars into which, among other things: (i) the Lessee will deposit the amounts of Rental due to the Trustee; and (ii) the Delegate will deposit all the proceeds of any action to enforce or realise the Trust Assets taken in accordance with Condition 16 (*Enforcement*);

"**Trust Asset**" has the meaning given in Condition 6.1 (*The Trust – The Trust Assets*);

"**Trustee Administrator**" means MaplesFS Limited; and

"**Value**" means, in respect of any Aldar Asset, the value of such Aldar Asset on the date it became part of the Asset Portfolio.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 (each a "**Specified Denomination**") in excess thereof. A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Trustee will cause to be kept by the Registrar in accordance with the provisions of the Agency Agreement.

Upon issue, the Certificates will be represented by beneficial interests in the Global Certificate, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Ownership interests in the Global

Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants.

2.2 Title

Title to the Certificates passes only by registration in the Register. Subject to the terms of the Global Certificate, the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

3. TRANSFERS OF CERTIFICATES

3.1 Transfers

Subject to Condition 3.4 (*Transfers of Certificates – Closed Periods*), Condition 3.5 (*Transfers of Certificates – Regulations*) and the provisions of the Agency Agreement, a Certificate may be transferred whole or in an amount equal to the Specified Denomination(s) or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of any Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within three (3) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Global Certificate will not be entitled to receive physical delivery of Certificates.

3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount or any Periodic Distribution Amount or any other date on which payment of the face amount (or any part thereof) or payment of any profit in respect of a Certificate falls due.

3.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates in Schedule 3 to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2.1 (*Form, Denomination and Title – Form and Denomination*), only one Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2 (*Transfers of Certificates – Delivery of New Certificates*).

4. STATUS AND LIMITED RECOURSE

4.1 Status

Each Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

4.2 Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Trustee, Aldar, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that:

(i) they will not have recourse to any assets of the Trustee, the Delegate, the Agents, or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished; and

(ii) any recourse to the assets of Aldar shall be limited to the Trust Assets, which include obligations of Aldar under the Transaction Documents.

Aldar is obliged to make certain payments under the Transaction Documents directly to the Trustee (for and on behalf of the Certificateholders), and the Delegate (acting in the name of and on behalf of the Trustee) will have direct recourse against Aldar to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 16 (*Enforcement*), no holder of Certificates will have any claim against the Trustee, Aldar (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents, or any of their respective affiliates or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee, Aldar (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

4.3 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the Trust Assets;

(ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, administrators or shareholders), Aldar (and/or its directors, officers, administrators or shareholders) (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, Aldar, any Agents and their respective agents or affiliates shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(v) it shall not be entitled to claim or exercise any right of set off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations by the Trustee under the Certificates.

5. NEGATIVE PLEDGE AND OTHER COVENANTS

5.1 Negative Pledge

Aldar has agreed in the Purchase Undertaking that for so long as any Certificate remains outstanding, it will not, and it will procure that no member of the Group shall, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of Relevant Indebtedness or a Relevant Sukuk Obligation, of any Person, without:

(a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is, in whatever capacity, a party; or

(b) providing such other Security Interest for the obligations of Aldar under the Transaction Documents as may be approved by an Extraordinary Resolution of the Certificateholders.

5.2 Limitation on incurrence of Financial Indebtedness

Aldar has agreed in the Purchase Undertaking that for so long as any Certificate remains outstanding and it does not have Investment Grade Status, it shall not, and that it shall procure that no member of the Group shall, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (together, "**Incur**" or, as appropriate, "**Incurred**" or an "**Incurrence**") any further Financial Indebtedness (other than Permitted Financial Indebtedness) unless, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis:

(a) no Dissolution Event has occurred and is continuing or would occur as a consequence of such Incurrence;

(b) the ratio of EBITDA to Consolidated Net Finance Charges Payable for the immediately preceding Measurement Period is not less than a ratio of 2.5:1; and

(c) when such Financial Indebtedness is aggregated with all other Financial Indebtedness of the Group, the Total Consolidated Financial Indebtedness (after giving effect to the Incurrence of such Financial Indebtedness) does not exceed 60 per cent. of the Total Asset Value.

6. THE TRUST

6.1 The Trust Assets

Pursuant to the Musataha Agreement, the Trustee will purchase from Aldar as Owner the Musataha Interest in the Asset Portfolio using the proceeds of the issue of the Certificates. Pursuant to the Lease Agreement, the Lessor will lease the Asset Portfolio to the Lessee in consideration for periodic payment of Rental by the Lessee. The Trustee has also entered into the Service Agency Agreement with the Service Agent as service agent in respect of the Asset Portfolio.

Aldar has entered into the Purchase Undertaking in favour of the Trustee and the Delegate under which it has granted the Trustee the right to require Aldar to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio on the Scheduled Dissolution Date or, if earlier, on the due date for dissolution in accordance with Condition 14 (*Capital Distributions of the Trust*) at the Dissolution Amount. The Purchase Undertaking may also be exercised ahead of a Change of Control Put Option Date to fund the redemption of the Certificates under Condition 14 (*Capital Distributions of the Trust*) through the purchase by Aldar of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate value no greater than the aggregate face amount of such Certificates being redeemed.

Pursuant to the Sale Undertaking, subject to the Trustee being entitled to redeem the Certificates early pursuant to Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), Aldar may, by exercising its option under the Sale Undertaking and serving notice on the Trustee no later than 60 days prior to the Tax Dissolution Date (as defined in Condition 14.2 (*Capital Distributions of the Trust - Early Dissolution for Tax Reasons*)), oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the Asset Portfolio on the Tax Dissolution Date at the Dissolution Amount. If, following a Change of Control Event, 75 per cent. or more of the Certificateholders exercise their option to require the Trustee to redeem their Certificates, Aldar may, by exercising its option under the Sale Undertaking, oblige the Trustee to sell all of its rights, title, interest, benefits and entitlements in, to and under the Asset Portfolio on the date specified for that purpose (which must be within 30 days of the Change of Control Put Option Date) at the Dissolution Amount.

Following any purchase of Certificates by or on behalf of Aldar or any of its Subsidiaries pursuant to Condition 13.1 (*Purchase and Cancellation of Certificates – Purchases*), the Sale Undertaking may be exercised in respect of the purchase by Aldar of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate Value no greater than the aggregate face amount of the Certificates so purchased in consideration for the cancellation of such Certificates.

The Sale Undertaking also grants Aldar the right to substitute any Aldar Asset in the Asset Portfolio for another asset, which has a value that is at least equal to the Value of the Aldar Asset being removed from the Asset Portfolio. Such a substitution may only occur on a Periodic Distribution Date.

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder. The term "**Trust Assets**" means:

(a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Asset Portfolio;

(b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (excluding: (i) any representations given by Aldar to the Trustee and the Delegate pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee or the Delegate in any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to Clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust; and

(c) all monies standing to the credit of the Transaction Account,

in each case and all proceeds of the foregoing which are held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the terms of the Declaration of Trust and the Conditions.

6.2 Application of Proceeds from the Trust Assets

On each Periodic Distribution Date and on the Dissolution Date, the monies standing to the credit of the Transaction Account shall be applied in the following order of priority:

(a) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing to it under, or which it is entitled to receive pursuant to, the Transaction Documents in its capacity as Delegate in accordance with the terms of the Declaration of Trust and to any receiver, manager or administrative receiver or any other analogous officer and any agent appointed in respect of the Trust by the Delegate in accordance with the Declaration of Trust (including any Agent pursuant to Clause 6.5 (*Agents*) of the Declaration of Trust);

(b) *second*, only if such payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts which are due but unpaid;

(c) *third*, only if such payment is made on a Change of Control Put Option Date (which is not a Dissolution Date), to the Principal Paying Agent for application in or towards payment of the relevant Change of Control Amount;

(d) *fourth*, only if such payment is made on the Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Amount or the amount payable on a Total Loss Event, as the case may be; and

(e) *fifth*, only if such payment is made on the Dissolution Date, to the Service Agent to retain as an incentive payment in accordance with the Service Agency Agreement.

7. COVENANTS

For so long as any Certificate is outstanding, the Trustee covenants that, it shall not (without the prior written consent of the Delegate):

(a) incur any indebtedness in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;

(b) save as permitted by the Transaction Documents, grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets, except pursuant to the Transaction Documents;

(d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(e) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association and by-laws;

(f) act as trustee in respect of any trust (other than pursuant to the Declaration of Trust);

(g) have any subsidiaries or employees;

(h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:

(A) as provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(C) such other matters which are incidental thereto.

8. PERIODIC DISTRIBUTIONS

8.1 Periodic Distribution Amounts and Periodic Distribution Dates

Subject to Condition 6.2 (*The Trust – Application of Proceeds from the Trust Assets*) and Condition 9 (*Payments*), the Principal Paying Agent shall distribute to holders of the Certificates, *pro rata* to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. The Periodic Distribution Amount payable on each Periodic Distribution Date shall be U.S.$21.74 per U.S.$1,000 in face amount of Certificates (the "**Periodic Distribution Amount**"). For this purpose, "**Periodic Distribution Date**" means the third day of June and the third day of December in each year commencing on 3 June 2014 and, subject to Condition 8.3 (*Periodic Distributions – Cessation of Accrual*), ending on the Scheduled Dissolution Date).

8.2 Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) 4.348 per cent. per annum; (b) the face amount of the relevant Certificate; and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards). The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a "**Return Accumulation Period**".

8.3 Cessation of Accrual

No further amounts will be payable on any Certificate from and including its due date for redemption, as a result of the failure of Aldar to pay the relevant Exercise Price and enter into a sale and purchase agreement in accordance with the terms of the Purchase Undertaking or Sale Undertaking (as the case may be), unless default is made in payment of the Dissolution Amount, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 (*Periodic Distributions*), **provided that**, in respect of such accrual, no sale and purchase agreement has been executed or a Total Loss Event has occurred.

9. PAYMENTS

9.1 Payments in respect of the Certificates

Subject to Condition 9.2 (*Payments – Payments subject to Applicable Laws*), payment of any Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date

9.2 Payments subject to Applicable Laws

All payments in respect of the Certificates will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Certificateholders in respect of such payments.

9.3 Payment only on a Payment Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Payment Business Day on which the relevant Definitive Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its Definitive Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 9 (*Payments*) arrives after the due date for payment.

If the amount of the Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

10. AGENTS

10.1 Agents of Trustee

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

10.2 Specified Offices

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided**, **however**, **that**:

(a) there will at all times be a Principal Paying Agent;

(b) there will at all times be a Registrar;

(c) there will at all times be a Calculation Agent; and

(d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 18 (*Notices*).

11. TAXATION

All payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

(a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union.

Aldar has covenanted in the Declaration of Trust that in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11 (Taxation), it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by it in respect of the Certificates pursuant to this Condition 11 (Taxation).

The Purchase Undertaking and the Sale Undertaking provide that payments thereunder by Aldar shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by Aldar of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

12. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of 10 years (in the case of the Dissolution Amount) and a period of five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9 (*Payments*).

13. PURCHASE AND CANCELLATION OF CERTIFICATES

13.1 Purchases

Aldar or any of its Subsidiaries may at any time purchase Certificates at any price in the open market or otherwise.

13.2 Cancellation of Certificates held by Aldar and/or any of its Subsidiaries

Following any purchase of Certificates by or on behalf of Aldar or any of its Subsidiaries pursuant to Condition 13.1 (*Purchase and Cancellation of Certificates – Purchases*), the Sale Undertaking may be exercised by Aldar to oblige the Trustee to transfer its rights, interests, benefits and entitlements in, to and under a portion of the Asset Portfolio with an aggregate Value not greater than the aggregate face amount of the Certificates so purchased against cancellation of such Certificates pursuant to Condition 14.6 (*Capital Distributions of the Trust – Cancellations*).

13.3 Dissolution of the Trust upon cancellation of all outstanding Certificates

In the event Aldar and/or any of its Subsidiaries purchase all the outstanding Certificates and all such Certificates are subsequently cancelled by the Trustee, the Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14. CAPITAL DISTRIBUTIONS OF THE TRUST

14.1 Scheduled Dissolution

Unless the Certificates are previously redeemed, or purchased and cancelled, in full, the Trustee will redeem each Certificate on the Scheduled Dissolution Date at the Dissolution Amount together with any Periodic Distribution Amounts payable. Upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14.2 Early Dissolution for Tax Reasons

The Certificates may be redeemed by the Trustee in whole, but not in part at any time (such date, which must be a Periodic Distribution Date, the "**Tax Dissolution Date**") on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), at the Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amounts, if a Tax Event occurs where "**Tax Event**" means:

(a) the determination by Aldar that: (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date; and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) the receipt by the Trustee of notice from Aldar that: (1) Aldar has or will become obliged to pay additional amounts pursuant to the terms of the Lease Agreement as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Signing Date; and (2) such obligation cannot be avoided by Aldar taking reasonable measures available to it,

provided, **however**, **that** no such notice of redemption shall be given unless an exercise notice has been received by the Trustee from Aldar under the Sale Undertaking and no such redemption shall be earlier than the Periodic Distribution Date prior to the earliest date on which: (i) (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due; or (ii) (in the case of (b) above) Aldar would be obliged to pay such additional amounts if a payment to the Trustee under the Lease Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Trustee shall deliver to the Delegate: (i) a certificate signed by one director of the Trustee (in the case of (a) above) or two directors of Aldar (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Trustee or, as the case may be, Aldar has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), the Trustee shall be bound to redeem the Certificates at the Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount and, upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14.3 Dissolution at the option of the Certificateholders (Change of Control Put Option)

(a) Promptly upon the Trustee becoming aware that a Change of Control Event has occurred, the Trustee shall give notice (a "**Change of Control Notice**") to the Certificateholders and the Delegate in accordance with Condition 18 (*Notices*) to that effect.

If a Change of Control Event occurs, the Trustee will, upon the holder of any Certificate giving notice to the Trustee in accordance with Condition 18 (*Notices*) (a "**Change of Control Put Notice**") within the Change of Control Put Period (unless prior to the giving of the relevant Change of Control Notice (as defined above) the Trustee has given notice of redemption under Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), redeem such Certificate on the Change of Control Put Option Date at the Change of Control Amount.

If the holder of every Certificate outstanding delivers a Change of Control Put Notice within the Change of Control Put Period to the Trustee in accordance with Condition 18 (*Notices*) (unless prior to the giving of the relevant Change of Control Notice (as defined above) the Trustee has given notice of redemption under Condition 14.2 (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), the Trustee will: (i) redeem the Certificates at the Dissolution Amount on the Change of Control Put Option Date; and (ii) dissolve the Trust.

(b) If the holders of 75 per cent. or more of the aggregate face amount of Certificates then outstanding deliver Change of Control Put Notices in accordance with Condition 14.3(a) (*Capital Distributions of the Trust – Dissolution at the option of the Certificateholders (Change of Control Put Option)*), **provided that** the Trustee has received an Exercise Notice from Aldar under the Sale Undertaking, the Trustee may, on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 18 (Notices) (such notice to be given within 30 days of the Change of Control Put Option Date), redeem all (but not some only) of the remaining outstanding Certificates at the Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amounts (the "**Change of Control Trustee Call Option**") on the Change of Control Put Option Date. Upon payment in full of such amounts to the Certificateholders: (i) the Trust will be dissolved; (ii) the Certificates shall cease to represent undivided ownership interests in the Trust Assets; and (iii) no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(c) To exercise the right to require redemption of this Certificate the holder of this Certificate must, if this Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certifcateholders (Change of Control Put Option)*) and the face amount thereof to be redeemed and, if less than the full amount of the Certificates so surrendered is to be redeemed, an address to which a new Certificate in respect of the balance of such Certificate is to be sent subject to and in accordance with the provisions of Condition 3.1 (*Transfers of Certificates – Transfers*).

If this Certificate is represented by a Global Certificate or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Certificate the holder of this Certificate must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream and Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream and Luxembourg from time to time and if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Certificate pursuant to this Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certifcateholders (Change of Control Put Option)*) shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Certificates to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 14.3 (*Capital Distributions of the Trust – Dissolution at the option of the Certifcateholders (Change of Control Put Option)*).

14.4 Dissolution following a Total Loss Event

Upon the occurrence of a Total Loss Event, the Certificates may be redeemed and the Trust dissolved on the Total Loss Dissolution Date. The Certificates will be redeemed using the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event. Upon such redemption, the Trust will dissolve, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

*Under the Service Agency Agreement the Service Agent undertakes to be responsible for ensuring that the Asset Portfolio is properly insured (and to use reasonable endeavours to obtain such insurances on a takaful basis if available or available on commercially viable terms) against total loss in an amount equal to its full reinstatement value (which value will be a sum not to be less than the aggregate outstanding face amount of the Certificates, together with a provision for 30 days' of rental). If the obligations of the Service Agent thereunder are not strictly complied with and as a result any insurance amounts paid into the Transaction Account are less than the full reinstatement value of the Asset Portfolio (the difference between the amount (if any) paid into the Transaction Account and such full reinstatement value being the "**Total Loss Shortfall Amount**"), the Service Agent (unless it proves beyond any doubt that any shortfall in the insurance proceedings is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) irrevocably and unconditionally indemnifies the Trustee for the Total Loss Shortfall Amount plus all other amounts then due and payable under the Transaction Documents, which will be payable directly into the Transaction Account on the 31st day following the occurrence of the Total Loss Event. Upon the occurrence of a Total Loss Event, all of the Rental that has accrued pursuant to the Lease Agreement shall be credited to the Transaction Account by the Lessee. The aggregate of such amounts and any insurance proceeds and/or Total Loss Shortfall Amount are intended to be equal to the aggregate face amount of the Certificates together with all accrued and unpaid Periodic Distribution Amounts.*

14.5 No other Dissolution

The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust, otherwise than as provided in this Condition 14 (*Capital Distributions of the Trust*), Condition 13 (*Purchase and Cancellation of Certificates*) and Condition 15 (*Dissolution Events*).

14.6 Cancellations

All Certificates which are redeemed, and all Certificates purchased by or on behalf of Aldar or any of its Subsidiaries and delivered by Aldar to the Principal Paying Agent for cancellation, will forthwith be cancelled and accordingly such Certificates may not be held, reissued or resold.

15. DISSOLUTION EVENTS

Upon the occurrence and continuation of any of the following events (each a "**Dissolution Event**"):

(a) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of fourteen (14) Business Days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of seven (7) Business Days; or

(b) the Trustee fails to perform or observe any one or more of its other duties, obligations or undertakings under the Certificates or the Transaction Documents, which failure is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not, in the opinion of the Delegate, remedied within the period of thirty (30) days following the service by the Delegate of a notice on the Trustee requiring the same to be remedied; or

(c) an Aldar Event occurs; or

(d) the Trustee repudiates the Declaration of Trust or does or causes to be done any act or thing evidencing an intention to repudiate the Declaration of Trust; or

(e) at any time it is or will become unlawful or impossible for the Trustee to perform or comply with any or all of its obligations under the Certificates or the Transaction Documents or any of the obligations of the Trustee under the Certificates or the Transaction Documents are not or cease to be legal, valid, and binding; or

(f) either: (i) the Trustee is (or is deemed by law or a court to be) insolvent or unable to pay its debts as they fall due; or (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); or (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(h) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

the Delegate, upon receiving notice thereof under the Declaration of Trust or otherwise determining, in its absolute discretion, that a Dissolution Event has occurred and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, shall promptly give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 18 (*Notices*) with a request to such holders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved. Following the issuance of such notice, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a "**Dissolution Request**") shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Dissolution Notice**") to the Trustee, Aldar and the holders of the Certificates in accordance with Condition 18 (*Notices*) that the Certificates are immediately due and payable at the Dissolution Amount, on the date of such notice (the "**Dissolution Event Redemption Date**"), whereupon they shall become so due and payable. If it has not already done so, (so long as a Total Loss Event has not occurred), the Trustee (or the Delegate acting in the name of the Trustee on behalf of the Certificateholders) shall exercise its rights under the Purchase Undertaking by serving an Exercise Notice on Aldar.

Upon payment in full of such amounts, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of paragraph (a) above, amounts shall be considered due in respect of the Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Periodic Distributions*), Condition 14 (*Capital Distributions of the Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition 15 (*Dissolution Events*), "**Aldar Event**" shall mean each of the following events:

(a) if default is made by Aldar in the payment of: (A) any Rental to be paid into the Transaction Account by the Lessee in accordance with the terms of the Lease Agreement and the default continues for a period of fourteen (14) Business Days; or (B) the Exercise Price or any Total Loss Shortfall Amount and the default continues for a period of seven (7) Business Days; or

(b) if Aldar fails to perform or observe any one or more of its other obligations under the Lease Agreement or the Purchase Undertaking, which failure is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not, in the opinion of the Delegate, remedied within the period of thirty (30) days following the service by the Delegate on Aldar of notice requiring the same to be remedied; or

(c) if any Financial Indebtedness or Sukuk Obligation of Aldar or any Material Subsidiary is not paid when due nor within any originally applicable grace period or any such Financial Indebtedness or Sukuk Obligation is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described) **provided**, **however**, **that** it shall not constitute an Aldar Event under this paragraph (d) unless the aggregate amount of all such Financial Indebtedness and Sukuk Obligations shall be more than AED 100,000,000 (or its equivalent in any other currency or currencies); or

(d) if a secured party takes possession of, or a receiver, manager or similar officer is appointed over, the whole or a substantial part (being a part which is equal to at least 15 per cent. of the whole) of the undertaking or assets of Aldar and its Subsidiaries taken as a whole; or

(e) if Aldar or any of its Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, nationalisation, dissolution, administration or re-organisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any substantial part (being a part which is equal to at least 15 per cent. of the whole) or all of its revenues and assets, except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in Aldar or another Subsidiary of Aldar; or

(f) if Aldar or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in Aldar or another Subsidiary of Aldar; or

(g) if Aldar or any of its Material Subsidiaries is (or is deemed by a court or any applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts or any class of its debts as the same fall due, or stops, suspends or threatens to stop or suspend payment of all or any class of its debts, commences negotiations with its creditors as a whole or any one or more classes of its creditors with a view to the general readjustment or rescheduling of its debts or any class of its debts or proposes or makes a general assignment for the benefit of or an arrangement or composition with its creditors in respect of such debts; or

(h) if any expropriation, attachment, sequestration, distress or execution made pursuant to a court order or judgment or arising by virtue of any law or regulation affects any asset or assets of Aldar or any of Aldar's Material Subsidiaries having an aggregate value of at least AED 100,000,000 (or its equivalent in any other currency or currencies) and is not discharged within 30 days; or

(i) if Aldar or any of Aldar's Material Subsidiaries fails to comply with or pay any sum which amount shall not be less than AED 100,000,000 (or its equivalent in any other currency or currencies) due from it under any final non-appealable judgment or any final non-appealable order made or given by any court of competent jurisdiction and such failure continues for a period of 60 days next following the service by the Delegate on Aldar of notice requiring the same to be paid/remedied; or

(j) if: (i) Aldar or any liquidator of Aldar repudiates or disclaims any responsibility under any Transaction Document to which it is a party; or (ii) at any time it is or becomes unlawful for Aldar to perform or comply with any or all of its obligations under or in respect of the Transaction Documents to which it is a party or any of the material obligations of Aldar thereunder are not or cease to be legal, valid and binding obligations; or

(k) if any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events described in (e) and (g) above,

provided, **however**, **that,** in the case of paragraph (b) above, such event will only constitute an Aldar Event if the Delegate has certified in writing to the Trustee and Aldar that such event, in its opinion, is materially prejudicial to the interests of Certificateholders.

16. ENFORCEMENT

16.1 Enforcement

Upon: (i) the occurrence of a Dissolution Event and the delivery of a Dissolution Notice by the Delegate pursuant to Condition 15 (*Dissolution Events*), to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 15 (*Dissolution Events*); or (ii) the failure to pay the Dissolution Amount on the Total Loss Dissolution Date, subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), the Delegate (acting on behalf of Certificateholders) shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking against Aldar and/or the Service Agency Agreement against the Service Agent; and/or

(b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), the Delegate may at any time, at its sole discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or Aldar to enforce their respective obligations under the Transaction Documents, these Conditions and the Certificates.

16.2 Delegate not obliged to take action

The Delegate shall not be bound in any circumstances to take any action, proceeding or step to enforce or to realise the Trust Assets or take any action against the Trustee and/or Aldar under any Transaction Document unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all costs, losses, damages, expenses or liabilities to which it may thereby render itself liable or which it may incur by so doing, **provided that** the Delegate shall not be liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

16.3 Direct Enforcement by Certificateholder

No Certificateholder shall be entitled to proceed directly against the Trustee or Aldar or provide instructions (not otherwise permitted by the Declaration of Trust) to the Delegate to proceed against the Trustee and/or Aldar under any Transaction Document unless: (a) the Delegate, having become bound to proceed pursuant to Condition 16.2 (*Enforcement – Delegate not obliged to take action*) fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or Aldar as the case may be) holds at least one-fifth of the then aggregate face amount of the Certificates outstanding. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and Aldar shall be to enforce their respective obligations under the Transaction Documents.

16.4 Limited Recourse

Conditions 16.1 to 16.3 (inclusive) above are subject to the provisions of Condition 4.2 (*Status and Limited Recourse – Limited Recourse*).

17. REPLACEMENT OF DEFINITIVE CERTIFICATES

Should any Definitive Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar (and if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee, Aldar, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

18. NOTICES

All notices to Certificateholders will be valid if:

(a) published in a daily newspaper having general circulation in London (which is expected to be the Financial Times); or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Until such time as any Definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held on behalf of one or more clearing systems, be substituted for such publication in such newspaper(s) and/or mailing is accordance with paragraph (b) above the delivery of the relevant notice to the relevant clearing systems for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day after the day on which the said notice was given to the relevant clearing systems.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst the Certificates are represented by a Global Certificate held on behalf of one or more clearing systems, such notice may be given by any holder of a Certificate to the Principal Paying Agent through the clearing system in which its interest in the Certificates is held in such manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

19. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

19.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or the provisions of the Declaration of Trust or any other Transaction Document. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than half of the aggregate face amount of the outstanding Certificates, or at any adjourned such meeting one or more persons present whatever the outstanding face amount of the Certificates held or represented by him or them, except that at any meeting the business of which includes the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates, amending the covenant given by the Trustee and the Delegate in Clause 13.1 (*Application of Moneys*) of the Declaration of Trust or

Condition 6.2 (*The Trust – Application of Proceeds from the Trust Assets*), modifying the provisions contained in the Conditions and the Declaration of Trust concerning the quorum required at any meeting of the Certificateholders or the majority required to pass an Extraordinary Resolution or changing any of Aldar's covenants set out in the Purchase Undertaking or any of its covenants to make a payment under any Transaction Document to which it is a party), the quorum shall be one or more persons present holding or representing not less than three quarters in the outstanding face amount of the Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than one quarter in the outstanding face amount of the Certificates. The expression "**Extraordinary Resolution**" is defined in the Declaration of Trust to mean either: (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than three-quarters of the votes cast; or (ii) a resolution in writing signed by or on behalf of the holders of the Certificates representing in the aggregate not less than 90 per cent. in the outstanding face amount of the Certificates who are entitled to receive notice of the meeting.

19.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification (other than in respect of a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or any other Transaction Document, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event shall not be treated as such if, in the sole opinion of the Delegate: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; or (iii) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of the Certificateholders. No such direction or request will affect a previous consent, waiver, authorisation or determination.

19.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number)) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

19.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

20. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

20.1 The Declaration of Trust contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for their respective relief from responsibility, including provisions relieving the Delegate from taking action unless indemnified and/or secured and/or prefunded to its satisfaction as well as provisions entitling the Delegate to be paid its costs and expenses in priority to the claims of the Certificateholders.

20.2 Neither the Delegate nor the Trustee makes any representation and assumes no responsibility for the validity, sufficiency or enforceability of the Trust Assets other than as expressly provided in the Declaration of Trust.

20.3 Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any decline in value or loss realised upon any sale or other disposition of any of the Trust Assets or any cash; (ii) any obligation to insure the Trust Assets pursuant to the Declaration of Trust and these Conditions; and (iii) any defect or failure in the right or title over any of the Trust Assets, unless such decline in value or loss defect or failure arises as a result of the gross negligence, wilful default or fraud by the Trustee or the Delegate, as the case may be.

20.4 The Declaration of Trust also contains provisions pursuant to which the Delegate is entitled, *inter alia*, (a) to enter into business transactions with Aldar and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to Aldar and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

20.5 Neither the Trustee nor the Delegate shall be responsible for monitoring or ascertaining whether or not a Dissolution Event, Total Loss Event or Change of Control Event has occurred or exists and, unless and until it shall have received express notice to the contrary, it will assume that no such event or circumstance exists or has occurred.

20.6 Neither the Trustee nor the Delegate has any duty to monitor the performance by the parties to the Transaction Documents of their obligations nor is it obliged (unless indemnified and/or secured and/or prefunded to its satisfaction) to take any other action, proceeding or step which may involve the Trustee or the Delegate in any personal liability or expenses.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. GOVERNING LAW AND DISPUTE RESOLUTION

22.1 Governing law

The Declaration of Trust, the Certificates and these Conditions (including the remaining provisions of this Condition 22 (*Governing Law and Dispute Resolution*)) and any non-contractual obligations arising out of or in connection with the Declaration of Trust, the Certificates and these Conditions are governed by, and shall be construed in accordance with, English law.

22.2 Agreement to arbitrate

Subject to Condition 22.3 (*Governing Law and Dispute Resolution – Option to litigate*) below, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust, the Certificates and these Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Declaration of Trust, the Certificates and these Conditions or the consequences of the nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the LCIA Rules of Arbitration (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 22 (*Governing Law and Dispute Resolution*)). For these purposes:

(a) the place of arbitration shall be London;

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and

(c) the language of the arbitration shall be English.

22.3 Option to litigate

Notwithstanding Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*) above, the Delegate (or, but only where permitted to take action in accordance with the terms of the Declaration of Trust and these Conditions, any Certificateholder) may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and Aldar:

(a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate or, as the case may be, a Certificateholder, gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22.4 (*Governing Law and Dispute Resolution – Effect of exercise of* *option to litigate*) and, subject as provided below, any arbitration commenced under Condition 22.2 (*Governing Law and Dispute Resolution – Agreement to arbitrate*) in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by Aldar), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or, as the case may be, a Certificateholder, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) the arbitrator's entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

22.4 Effect of exercise of option to litigate

In the event that a notice pursuant to Condition 22.3 (*Governing Law and Dispute Resolution – Option to litigate*) is issued, the following provisions shall apply:

(a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and Aldar submits to the exclusive jurisdiction of such courts;

(b) each of the Trustee and Aldar agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 22.4(c) (*Governing Law and Dispute Resolution – Effect of exercise of option to litigate*) is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Delegate and any Certificateholder (where permitted so to do) may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

22.5 Process Agent

Each of the Trustee and Aldar has in the Declaration of Trust appointed Law Debenture Corporate Services Limited at its registered office at Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process and has undertaken that in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

22.6 Waiver of Interest

Each of the Trustee, the Delegate and Aldar has agreed in the Declaration of Trust that, if any arbitration or Proceedings are commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Declaration of Trust or the Sale Undertaking, it will:

(i) not claim interest under, or in connection with, such arbitration and/or Proceedings; and

(ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by any arbitrator as a result of such arbitration and/or by any court as a result of such Proceedings.

For the avoidance of doubt, nothing in this Condition 22.6 (*Governing Law and Dispute Resolution – Waiver of Interest*) shall be construed as a waiver of rights in respect of Rental, Periodic Distribution Amounts or profit of any kind howsoever described payable by Aldar or the Trustee pursuant to the Transaction Documents or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

22.7 Waiver of Immunity

Under the Declaration of Trust, Aldar has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, Aldar has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, in relation to jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings or Disputes. However, notwithstanding the foregoing, Aldar expressly disclaims whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property and the provisions of this Condition 22.7 shall be read subject to Article 247.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States to persons who are not U.S. Persons in reliance on Regulation S.

The Certificates will be represented by beneficial interests in a global certificate in registered form the Global Certificate. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "**Accountholders**") (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the Register as the registered holder of the Global Certificate at the close of the Business Day (being for this purpose, a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date for such payment.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/ or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in Condition 15 (*Dissolution Events*)) has occurred; or (ii) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Trustee and the Registrar may require to complete, execute and deliver such Definitive Certificates.

In this Prospectus, "**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

USE OF PROCEEDS

The Proceeds of the issue of Certificates will be paid by the Trustee to Aldar pursuant to the Musataha Agreement as consideration for the grant of a musataha interest in, to and under the Asset Portfolio.

SELECTED FINANCIAL INFORMATION

All information in this section has been derived from the Financial Statements, see "*Presentation of financial and other information*".

Income statements

The tables below show income statement information for each of Aldar and Sorouh for each of 2011 and 2012 and for the Group for the nine months ended 30 September 2013. No comparative interim information for the nine months period ended 30 September 2012 is included as that information would not be directly comparable given the Merger which took place in June 2013.

Aldar

	Year ended 31 December	
	2012	**2011**
	(AED millions)	
Revenue	11,404	6,743
Direct costs	(8,166)	(5,097)
Gross profit	**3,238**	**1,646**
Selling and marketing expenses	(11)	(35)
General and administrative expenses		
Staff costs	(198)	(244)
Depreciation and amortisation	(435)	(590)
Pre-opening expenses of operational business	—	(3)
Impairments/write offs on projects	(1,171)	(1,822)
Loss on cancellation of sales	—	(40)
Provision for impairment of trade receivables	(16)	—
Reversal of provision/(provision for impairment) of receivables from/ investment in associates and joint ventures	50	(174)
Reversal of provision/(provision for impairment) of amounts due from a related party	201	(201)
Provision for onerous contracts	—	(252)
Other general and administrative expenses	(101)	(133)
Share of profit from associates and joint ventures	121	102
Fair value loss on investment properties	(170)	(541)
Impairment loss on available for sale financial assets	(2)	(39)
Finance income	223	122
Finance costs	(835)	(1,105)
Other income	447	3,951
Profit for the year	**1,341**	**642**

Sorouh

	Year ended 31 December	
	2012	2011
	(AED millions)	
Revenue	3,032	3,788
Cost of sales	(2,338)	(3,095)
Gross profit	**694**	**693**
General and administrative expenses		
Project costs written off, net	(1)	(2)
Allowance for doubtful debts	—	(16)
Reversal of doubtful debts	4	2
Bad debts written off	(2)	(3)
Other general and administrative expenses[1]	(227)	(180)
Selling and marketing expenses	(20)	(31)
Fair value loss on investment properties, net	(109)	(78)
Impairment of goodwill	(36)	(117)
Reversal of impairment on property, plant and equipment	14	24
Gain on disposal of investment properties	2	16
Share of losses from associates and joint ventures	(34)	(20)
(Loss)/gain on disposal of available for sale financial assets	—	5
Finance income	56	52
Finance costs	(20)	(22)
Other income	186	60
Profit for the year	**507**	**383**

Note:

(1) Of which, depreciation on property, plant and equipment and amortisation of intangible assets together amounted to AED 22 million in 2012 and AED 26 million in 2011.

The Group

	Nine months ended 30 September 2013
	(AED millions)
Revenue	4,055
Direct costs	(2,628)
Gross profit	**1,427**
Selling and marketing expenses	(7)
General and administrative expenses	
Staff costs	(159)
Depreciation and amortisation	(240)
Provisions, impairments and write downs	(1,080)
Other general and administrative expenses	(60)
Share of loss from associates and joint ventures	(44)
Gain on disposal of investment in associate	3
Gain on business combination	2,591
Fair value loss on investment properties	(313)
Finance income	137
Finance costs	(515)
Other income	80
Profit for the period	**1,820**

Statements of financial position

The tables below show statement of financial position information for each of Aldar and Sorouh as at 31 December in each of 2011 and 2012 and for the Group as at 30 September 2013.

Aldar

	As at 31 December	
	2012	**2011**
	(AED millions)	
Assets		
Non-current assets		
Property, plant and equipment	3,632	4,866
Investment properties	6,078	6,001
Investment in associates and joint ventures	716	647
Trade and other receivables	5,786	7,173
Other non-current assets	155	178
Total non-current assets	**16,367**	**18,865**
Current assets		
Development work in progress	4,223	7,134
Inventories	1,640	4,720
Trade and other receivables	7,551	5,241
Cash and bank balances	2,260	4,158
Total current assets	**15,674**	**21,253**
Total assets	**32,041**	**40,118**
Equity and liabilities		
Capital and reserves		
Share capital	4,085	4,085
Share premium	7,985	7,985
Share issuance costs, net	(80)	(80)
Reserves	958	858
Accumulated losses	(4,768)	(5,754)
Total shareholders' equity	**8,180**	**7,094**
Non-current liabilities		
Convertible bonds – liability component	—	694
Non-convertible bonds	4,587	8,330
Borrowings	3,541	4,118
Retentions payable	509	1,486
Other non-current liabilities	95	85
Total non-current liabilities	**8,732**	**14,713**
Current liabilities		
Convertible bonds – liability component	703	31
Non-convertible bonds	3,795	43
Borrowings	1,388	5,080
Retentions payable	652	—
Advances from customers	2,129	4,740
Trade and other payables	6,462	8,417
Total current liabilities	**15,129**	**18,312**
Total liabilities	**23,861**	**33,024**
Total equity and liabilities	**32,041**	**40,118**

Sorouh

	As at 31 December	
	2012	2011
	(AED millions)	
Assets		
Non-current assets		
Property, plant and equipment	169	147
Investment properties	4,103	3,310
Intangible assets	124	126
Goodwill	163	199
Investment in associates and joint ventures	317	340
Available for sale financial assets	119	120
Prepaid leases	18	19
Finance lease receivable	112	112
Trade and other receivables	390	406
Total non-current assets	**5,515**	**4,779**
Current assets		
Land held for resale	528	528
Development work in progress	4,129	4,143
Trade and other receivables	2,412	2,503
Due from related parties	293	305
Cash and bank balances	1,339	1,837
Other current assets	91	55
Total current assets	**8,792**	**9,371**
Total assets	**14,307**	**14,150**
Equity and liabilities		
Capital and reserves		
Share capital	2,625	2,625
Share issuance costs, net	(5)	(5)
Reserves	518	475
Retained earnings	3,549	3,295
Non-controlling interests	235	174
Total shareholders' equity	**6,922**	**6,564**
Non-current liabilities		
Bank borrowings	896	2,229
Other non-current liabilities	50	43
Total non-current liabilities	**946**	**2,272**
Current liabilities		
Trade and other payables	4,997	4,843
Bank borrowings	1,399	425
Due to related parties	43	46
Total current liabilities	**6,439**	**5,314**
Total liabilities	**7,385**	**7,586**
Total equity and liabilities	**14,307**	**14,150**

The Group

	As at 30 September 2013
	(AED millions)
Assets	
Non-current assets	
Property, plant and equipment	3,299
Investment properties	11,432
Investment in associates and joint ventures	995
Trade and other receivables	3,266
Other non-current assets	94
Total non-current assets	**19,086**
Current assets	
Development work in progress	7,322
Inventories	1,201
Land held for resale	1,752
Trade and other receivables	9,975
Cash and bank balances	5,513
Total current assets	**25,763**
Total assets	**44,849**
Equity and liabilities	
Capital and reserves	
Share capital	7,863
Share premium	10,412
Share issuance costs, net	(80)
Reserves	966
Accumulated losses	(3,223)
Non-controlling interests	300
Total shareholders' equity	**16,238**
Non-current liabilities	
Interest bearing loans and borrowings	3,030
Retentions payable	220
Other non-current liabilities	132
Total non-current liabilities	**3,382**
Current liabilities	
Interest bearing loans and borrowings	11,323
Retentions payable	1,154
Advances from customers	3,913
Trade and other payables	8,835
Other financial liabilities	4
Total current liabilities	**25,229**
Total liabilities	**28,611**
Total equity and liabilities	**44,849**

Statements of cash flows

The tables below show statement of cash flows information for each of Aldar and Sorouh for each of 2011 and 2012 and for the Group for the nine months ended 30 September 2013. No comparative interim information for the nine months period ended 30 September 2012 is included as that information would not be directly comparable given the Merger which took place in June 2013.

Aldar

	Year ended 31 December	
	2012	2011
	(AED millions)	
Net cash generated from operating activities	4,472	4,300
Net cash (used in)/generated from investing activities	(1,399)	7,296
Net cash used in financing activities	(5,435)	(8,873)
Cash and cash equivalents at the start of the year	3,371	648
Cash and cash equivalents at the end of the year	1,009	3,371

Sorouh

	Year ended 31 December	
	2012	2011
	(AED millions)	
Net cash generated from operating activities	423	233
Net cash used in investing activities	(159)	(635)
Net cash (used in)/from financing activities	(701)	852
Cash and cash equivalents at the start of the year	1,582	1,133
Cash and cash equivalents at the end of the year	1,145	1,582

The Group

	Nine months ended 30 September 2013
	(AED millions)
Net cash generated from operating activities	4,600
Net cash used in investing activities	(237)
Net cash used in financing activities	(1,952)
Cash and cash equivalents at the start of the period	1,009
Cash and cash equivalents at the end of the period	3,420

Certain selected unaudited *pro forma* information

The following selected *pro forma* statement of income information for the Group for the nine months ended 30 September 2013 has been prepared for illustrative purposes only to show the effect of the Merger on the Group's statement of income as if the Merger had taken place on 1 January 2013.

This unaudited *pro forma* information, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of the Group had the Merger been completed on 1 January 2013 and should not be construed as indicative of the Group's future financial position or results. This unaudited *pro forma* information has been prepared on a basis consistent with Aldar's accounting policies as set out in note 3 to the Aldar 2012 Financial Statements.

The unaudited *pro forma* information has been prepared based on the Group unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2013.

The Merger is being accounted for using the acquisition method of accounting in accordance with IFRS 3 "Business combination" ("**IFRS 3**"). Under the acquisition method of accounting, the aggregate consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values on the Merger date. Goodwill is measured as the excess, if any, of the sum of the consideration paid over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a gain on acquisition.

This unaudited *pro forma* information has been prepared based on preliminary estimates of fair values. The fair values estimated and the consideration paid as at 15 May 2013 have been deemed to reflect the fair values and consideration paid at 1 January 2013 for the purposes of the *pro forma* financial information presented. The final allocation of consideration paid to assets acquired and liabilities assumed may affect materially the information presented in this unaudited *pro forma* information. In accordance with IFRS 3, the acquirer has up to twelve months following the acquisition to finalise the allocation of the purchase price, which is expected to be completed by 31 December 2013. The preliminary estimates of the fair values of the assets acquired and liabilities assumed herein may be subject to change upon finalisation of the valuation of assets acquired and liabilities assumed as of the closing date.

The unaudited *pro forma* adjustments give effect to events that are directly attributable to the Merger, are factually supportable and, subject as noted above, are expected to have a continuing impact on the Group's financial results but without taking account of any potential operating efficiencies, savings from expected synergies or any costs necessary to achieve savings from expected synergies.

The unaudited *pro forma* adjustments do not reflect the effect of the Certificates on the unaudited *pro forma* information. Prospective investors should read this unaudited *pro forma* information in conjunction with accompanying explanatory notes, the Interim Financial Statements and "*Financial Review*", all included elsewhere in this Prospectus.

Unaudited selected consolidated *pro forma* financial information for the nine months ended 30 September 2013

	Historical information for nine months ended 30 September 2013	Adjustments	Pro Forma
		(*AED millions*)	
Revenue	4,054.7	1,126.3(1)	5,181.0(1)
Gross profit	1,427.5	205.6(2)	1,633.1
Net profit	1,819.5	—	1,819.5(3)

Explanatory Notes:

(1) This comprises the revenue of Sorouh for the period from 1 January 2013 to 15 May 2013, the date on which the Merger was determined by the Group's management to be effective for accounting purposes, on the basis that Sorouh's revenue from 15 May 2013 is otherwise already reflected in the Group revenue figure.

(2) This comprises the revenue figure of Sorouh for the period from 1 January 2013 to 15 May 2013 as described above less the estimated cost of revenue of Sorouh for the same period on the same basis as described above.

(3) Included in the historical net profit for the nine months ended 30 September 2013 is the gain on the acquisition of AED 2,591 million which is directly related to the Merger and is not expected to have a continuing impact on the Group's financial results. The nil adjustment to net profit is due to the trading results of Sorouh for the period from 1 January 2013 to 15 May 2013, being offset by the adjustment in the gain on acquisition for the same amount.

Certain ratios

The table below shows certain ratios for the Group as at 30 September 2013.

Gross indebtedness(1) (*AED millions*)	14,353
Gross indebtedness to total equity(2) (*per cent.*)	90.1
Net leverage(3) (*per cent.*)	55.5

Notes:

(1) Gross indebtedness is defined as interest bearing loans and borrowings as stated on the Group's balance sheet as at 30 September 2013.

(2) Total equity is total equity attributable to equity holders of the parent as stated on the Group's balance sheet at 30 September 2013.

(3) Net leverage is defined as net indebtedness (gross indebtedness less cash and bank balances) expressed as a percentage of total equity.

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Selected Financial Information" and the Financial Statements. The discussion of Aldar's, Sorouh's and the Group's financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

All information in this section as at, and relating to the nine month period ended, 30 September 2013 is unaudited. Results for this interim period will not necessarily be indicative of the results for the year ended 31 December 2013. See "Presentation of Financial and Other Information – Defined Terms Relating to the Group's Land Bank and Projects" for a description of the meaning of certain terms used in this section.

Due to the merger between Aldar and Sorouh on 27 June 2013, the Group's results of operations between the nine month periods ended 30 September 2012 and 30 September 2013 are not directly comparable. As a result, this Financial Review sets out a comparison of the results of operations and cash flows of each of Aldar and Sorouh for 2011 and 2012 and a discussion of the Group's results of operations in, and its financial position at the end of, the nine months ended 30 September 2013.

OVERVIEW

The Group is the leading listed property developer in Abu Dhabi in terms of total assets and number of developments. Aldar was established, and listed on the Abu Dhabi Securities Exchange, in 2005 to undertake development projects primarily in Abu Dhabi. On 27 June 2013, Aldar and Sorouh merged. The Merger was effected by the transfer of all Sorouh assets and liabilities to Aldar against the issue of Aldar shares to Sorouh shareholders and the subsequent dissolution of Sorouh, see "*Description of the Group—Merger with Sorouh*". Following the Merger, the Government continues to hold a significant indirect interest in Aldar. See "*Description of the Group—Shareholders*". The Merger has resulted in the Group owning a larger and more diversified portfolio of investment properties, having stronger assured Government contracted cash flows, and a larger pipeline of developments that will be delivered in the short- to medium-term. In addition, the Merger strengthened the Group's balance sheet significantly, as evidenced by a 95 per cent. increase in shareholder's equity as at 30 September 2013 compared to 31 December 2012 and a reduction in the net debt to equity ratio from 144 per cent. at 31 December 2012 to 55 per cent. at 30 September 2013.

The Group's business is focused around three strategic pillars:

- **Asset Management**: owning residential, commercial, retail and hospitality real estate assets for investment purposes, growing the recurring income portfolio, optimising the portfolio valuation and providing asset management services to third parties;
- **Real Estate Development**: development planning and real estate development in accordance with market demand, either on balance sheet, using the Group's extensive land bank or on a fee basis, using the Group's extensive expertise as development manager to manage third party projects; and
- **Adjacent Businesses**: developing and managing adjacent businesses such as schools, vertically integrated businesses such as construction (principally through the Group's 60 per cent. owned subsidiary, Pivot) and facilities and property management (principally through the Group's 60 per cent. owned subsidiary, Khidmah LLC ("**Khidmah**")), and investments in joint ventures and associates.

The Group's developments include residential properties, offices, retail sites, hotels, tourist attractions, leisure facilities, hospitals and schools. In addition, the Group undertakes infrastructure projects for the Government including, for example, the Shahama Saadiyat Freeway connecting the Abu Dhabi to Dubai highway with Yas Island, Saadiyat Island and Mina Zayed.

The Group principally generates income through:

- developing and selling completed properties (principally of a residential nature);
- selling plots of serviced development land, typically as part of a master planned development;
- holding income-generating properties; and

- its adjacent businesses, including its majority (60 per cent.) interests in subsidiaries engaged in construction and property/facility management.

The Group's undeveloped land bank is all located in Abu Dhabi and had an area of approximately 77 million square metres at 30 September 2013. The majority of the Group's undeveloped land bank was gifted to it by the Government. Prior to the Merger, a significant portion of the land comprised within the land banks of both Aldar and Sorouh was carried at nominal value on their respective balance sheets. Following the Merger and in accordance with IFRS acquisition accounting requirements, all of the assets and liabilities of Sorouh, including its land bank, were fair valued.

Sources of revenue

As indicated above, the Group has three distinct sources of revenue, each of which is dependent on different factors:

- ***Revenue from land and property sales***: The Group's revenue from land and property sales is volatile and is derived from sales of both development land and completed properties. The Group sells development land in periodic, large-value transactions, where revenue is recognised in whole in line with the terms of the sale and purchase agreement when, amongst other items, a significant transfer of risk and reward of the ownership of the property occurs. Residential developments may be pre-sold throughout the construction phase, but revenue in respect of these pre-sales is only recognised when the completed properties are delivered to the purchaser. The related costs are generally capitalised as development work in progress. These capitalised costs are generally deferred and are only recognised in the income statement in the same period as the related revenue is recognised. For these reasons, sales of both development land and completed properties may give rise to periodic, large-value recognition events.
- ***Construction revenue***: The Group generates construction revenue from construction contracts undertaken for National Housing projects and from third party construction contracts undertaken by Pivot. The Group recognises revenue from these contracts using the percentage of completion method. Where the outcome of the relevant contract can be reliably measured, revenue and costs are recognised by reference to the stage of completion of the contract at the end of the relevant period. This is determined by the proportion that contract costs incurred for the work performed to date bear to the estimated total contract costs. As a result, the Group's construction revenue depends on the size and stages of completion of contracts being undertaken at any time. Revenue and costs for construction contracts undertaken by Pivot on behalf of the Group are eliminated on consolidation.
- ***Other recurring revenue***: The Group's recurring revenue principally arises from lease payments in respect of its investment properties and also includes revenue derived from other businesses such as its hotels, schools, golf course, operative villages and marina. The Group categorises its leases as either operating leases or finance leases, with the vast majority being operating leases. The Group recognises lease revenue from its operating leases on a straight-line basis over the relevant lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the relevant lease. The Group's lease revenue depends primarily on the volume of leases at any time and the rental rates charged. The Group's hotel and other leisure income comprises revenue from rooms, food and beverages and other services provided and is recognised when goods are sold or services provided. The Group's income from schools principally comprises registration fee income, which is recognised when received, and tuition fee income, which is recognised over the period of instruction.

KEY FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the most significant factors that have affected, or are expected to affect, the Group's financial condition and results of operations.

Gain on acquisition

With effect from 15 May 2013 for IFRS accounting purposes, Aldar acquired full ownership of all of Sorouh's assets and liabilities. This acquisition gave rise to a gain on acquisition for the Group of AED 2,591 million, arising from the difference between the fair value of Sorouh's assets, including land assets which were previously held at nominal value, and the consideration transferred. However, the necessary market valuations and other calculations have not been finalised and are based on management's best estimates of the likely values. Final market valuations, which are required to be obtained within one year from the acquisition date, may result in adjustments to the gain on acquisition reported above. Note 21 to the Interim Financial Statements provides further information on the assets and liabilities transferred to the Group and the calculation of the gain on acquisition.

Volume of property sold

The Group's revenue from property sales is fundamentally dependent on the volume of units and land plots recognised which varies from period to period. The tables below show the number of units completed and handed over and land plots sold and in respect of which at least 20 per cent. of the purchase price has been received, and the total property sales revenue recognised, for each of Aldar in 2011 and 2012, Sorouh in 2011 and 2012 and the Group in the nine months ended 30 September 2013.

	2011			2012		
	Units recognised	**Plots sold**	**Revenue**	**Units recognised**	**Plots sold**	**Revenue**
			(AED millions)			*(AED millions)*
Aldar	359	7	5,178	1,882	111	9,718
Sorouh	922	1	2,391	56	—	269

	Nine months ended 30 September 2013		
	Units recognised	**Plots sold**	**Revenue**
			(AED millions)
Group	897	32	2,891

As at 30 September 2013, the Group had pre-sold a further 2,315 units, which are expected to be handed over in the fourth quarter of 2013 and in 2014.

However, there is no assurance that this number of units will be handed over in the specified period as construction and hand over timetables may be extended or expedited, purchasers may default and additional units may be sold.

Expansion of investment property portfolio

The Group's revenue from its investment property portfolio is principally dependent on the volume of units it has under lease and the rental rates charged. The Group's investment property portfolio has expanded since 2011 as new investment properties have been completed.

As at 30 September 2013, the Group had a number of investment properties under development. The table below sets out details of commercial, retail and residential units currently expected to become available for lease in each of the fourth quarter of 2013 and in 2014.

	Properties expected to become available for lease
Fourth quarter of 2013	
Commercial	—
Retail	—
Residential	2,915 units
2014	
Commercial	5,000 sqm
Retail	250,000 sqm
Residential	—

There is no assurance that this number of units will become available in each period as construction timetables may be extended or expedited and, in the case of residential units, certain units currently planned to be leased may be sold.

Volume and progress under fee-based National Housing construction contracts

The Group masterplans and builds Government-sponsored residential communities for UAE nationals (“**National Housing**”). National Housing developments are conducted in different ways:

- as a fee-based development, where the Group acts as masterplanner and development manager for a fee; or
- where the Group contracts with the Government to plan and deliver units at an agreed price but funded by the Government.

The Group is currently party to five fee-based National Housing construction contracts. These contracts generally take between two and three years to complete and revenue in respect of these contracts is recognised on a percentage of completion basis.

The table below identifies the five fee-based National Housing contracts undertaken by the Group since 31 December 2010 and the percentage of completion of each contract as at 31 December in each of 2010, 2011 and 2012 and as at 30 September 2013.

	Percentage complete			
	As at 31 December			As at 30 September
	2010	2011	2012	2013
Watani	10%	48%	92%	98%
Al Sila’a	0%	5%	52%	84%
Al Ghuraibah	0%	6%	63%	91%
Al Raha Gardens	0%	0%	61%	86%
Al Falah	28%	56%	87%	98%

The scheduled completion of each contract identified above is the fourth quarter of 2013. There is, however, no assurance that these contracts will complete as scheduled as construction timetables may be extended or expedited.

In addition, within the construction financial reporting segment, the Group recognises third party revenue from Pivot.

The Group’s investment properties are initially recorded at cost and, in accordance with IFRS, the Group recognises changes in the fair value of its investment properties during each accounting period in its income statement

The Group’s investment properties include:

- a portfolio of completed income-generating properties; and
- properties under development for the purpose of earning rental income and/or capital appreciation.

Land granted to the Group by the Government is typically recorded on the balance sheet either as investment property or as land held for resale, depending on the intended use of the land. Investment properties are initially recognised at cost. In the case of land granted to Aldar by the Government, this is a nominal amount. In the case of land granted to Sorouh by the Government, this was a nominal amount prior to the Merger but, in accordance with IFRS on acquisition accounting, all of Sorouh’s assets and liabilities, including land, were re-valued at their fair value on the merger date.

Subsequent to the initial recognition of investment property, once the proposed use of an investment property is sufficiently certain to enable it to be valued on the basis of the proposed use, the investment property concerned is recorded at fair value at each subsequent balance sheet date. Gains or losses arising from changes in the fair value of the investment property concerned are recorded as gains or losses in the fair value of investment properties in the income statement for the period concerned. Once a determination of the fair value of an investment property has been made, changes in the fair value may occur as a result of changes in the master plan for the development concerned, changes in market conditions or in the methodology used by management to determine fair value. Where infrastructure work is being carried out on investment properties as part of their development, the costs of such infrastructure work are recorded as investment properties under development. As at 30 September 2013, the Group had investment properties valued at AED 11,432 million on its balance sheet.

The determination of the fair value of investment property is based on certain assumptions made by the Group's management, which are subject to uncertainty and might differ materially from other valuations and the realisable value of such property. See "*Risk Factors—Risks Relating to Aldar's Business and Industry—Real estate valuation is inherently subjective and uncertain, and real estate investments are illiquid*".

The table below shows the changes in fair value of investment properties recorded by each of Aldar in 2011 and 2012, Sorouh in 2011 and 2012 and the Group in the nine months ended 30 September 2013.

	2011	2012	Nine months ended 30 September 2013
		(AED millions)	
Aldar	(541)	(170)	—
Sorouh	(78)	(109)	—
Group	—	—	(313)

The negative changes in fair value recorded by each of Aldar and Sorouh in each of 2011 and 2012 and by the Group in the nine months ended 30 September 2013 principally reflect the impact of falling rental prices in Abu Dhabi on the estimated future cash flows from the Group's investment properties. By way of illustration, in its Abu Dhabi Real Estate Market Overview, Q2 2013, Jones Lang LaSalle reports that average Grade A office rents declined from AED 1,900 per square metre in the first quarter of 2011 to AED 1,700 per square metre in the first quarter of 2012 and AED 1,540 per square metre in the first quarter of 2013. Jones Lang LaSalle reported a similar trend for average two-bedroom residential rents (although these showed a small upturn in the first quarter of 2013).

It is possible that the Group could record other fair value losses or gains in 2013 and future years as a result of the development of real property rental rates and prices in Abu Dhabi over which it has no control or for other reasons. Changes in the fair value of the Group's investment properties do not represent cash inflows or outflows.

Impairment charges and write offs in respect of projects

Each of Aldar (in 2011 and 2012) and the Group (in the nine months ended 30 September 2013) have recorded significant impairment charges and write offs in respect of on-going projects, and these impairment charges have negatively impacted their respective results of operations for the relevant periods. In particular:

- in 2011, Aldar recorded AED 1,822 million in impairments and write-offs on projects relating to development work in progress and property, plant and equipment, due to prevailing market conditions impacting the market values of certain residential developments, hotels and operative villages.
- in 2012, Aldar recorded AED 1,171 million in and impairments and write-offs on projects relating to inventories and property, plant and equipment due to prevailing market conditions impacting the market values of a finished residential tower and hotels.
- in the nine months ended 30 September 2013, the Group recorded an AED 572 million impairment in respect of a project under development as a result of a Governmental building height restriction which reduced gross floor area in that project and thus reduced the revenue expected to be generated by the project and an AED 251 million impairment in property, plant and equipment as a result of softness in current and forecasted average daily rates in the hotel segment.

It is possible that the Group could record additional impairment charges and write offs in respect of its projects in 2013 and future years. Impairment charges and write-offs do not represent cash inflows or outflows.

The Group's cash expenditure on, and cash income from, its projects does not match in terms of timing or amount

The Group sells development land in periodic, large-value transactions, where revenue is recognised in whole upon the payment of at least 20 per cent. of the purchase price of the development land (subject to discounting for the future value of any receivables). Completed properties are pre-sold throughout the construction phase, but revenue in respect of these pre-sales is only recognised when the completed properties are delivered to the purchaser. The related costs are generally capitalised and these capitalised costs are generally deferred and are only recognised in the income statement in the same period as the related revenue is recognised. For these reasons, sales of both development land and completed properties may give rise to periodic, large-value recognition events.

On a cash basis, the timing and amounts of cash received by the Group from property sales will vary depending on the terms of the contract concerned but will typically comprise an initial deposit and one or more instalment payments with a final and generally proportionately more significant payment at delivery. Construction costs, however, are generally paid by Aldar throughout the development of a project and significant cash outflows may be experienced before a project generates any cash income. Therefore, in cash terms, there may be a significant mismatch in timing of cash flows, as cash costs for a project typically have to be paid before cash is generated from a project.

Similar principles apply to some of the construction contracts entered into by the Group and the fee-based third party development projects undertaken by the Group where the timing of cash received and spent does not match exactly and, typically, cash is spent in advance of the related payment being received.

As a result, the Group aims to maintain sufficient liquidity to ensure that its anticipated operational obligations over the next 12 months can be met on a timely basis. This results in the Group holding significant cash and bank balances (which includes cash, cash equivalents and short-term investments) and seeking to ensure that significant unused facilities are available to it. As at 30 September 2013, the Group had cash and bank balances of AED 5,513 million and unused credit facilities of AED 750 million.

Effect of economic conditions on the Group

The Group's results of operations in past periods have been, and its future results of operations are expected to continue to be, affected by economic conditions and conditions in the real estate markets in Abu Dhabi. Recent developments in Abu Dhabi's real estate market are described under "*Overview of the UAE and Abu Dhabi—Recent Developments in the Abu Dhabi Real Estate Market*".

In addition, the global financial crisis from 2008 onwards resulted in a reluctance of financial institutions to extend credit, and when they did extend credit, they did so on less favourable terms (including higher margins) than were previously available to borrowers. In recent months, liquidity in financial markets has improved, and the reluctance to lend and the tendency towards higher margins have abated. However, there is no certainty that this abatement will continue, or that conditions will not deteriorate in the future.

Other effects of the global financial crisis experienced by the Group include:

- Purchasers of development land and completed properties paying instalments of the relevant purchase price after the due date. This has generally resulted in an increase over time in provisions for impairments and cancellations which, at 30 September 2013, amounted to AED 556 million.
- Purchasers of development land and completed properties seeking to extend their payment schedules over a longer period of time, resulting in a reduction in cash flows from operations in a given period.

Both Aldar and Sorouh sought to deal with the adverse impact of the global financial crisis on their respective development businesses by maximising flexibility through scaling back the previously anticipated pace of development of certain projects and to shift the focus of certain parts of their respective developments away from the higher end market and towards the middle income market. In addition, assisted by lower raw material costs as well as increased competition among contractors, both companies entered into negotiations with their principal contractors with a view to achieving cost savings on existing projects under construction.

CERTAIN RELEVANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS

The Group's accounting policies with respect to its development land, completed properties and investment properties are discussed above under "*—Sources of revenue*" and "*—Key factors affecting results of operations*". Other relevant accounting policies applied by the Group are described in note 3 to the Interim Financial Statements.

The preparation of the consolidated financial statements requires management to make certain judgments, the most significant of which are described in note 4 to the Aldar 2012 Financial Statements. In addition, in the nine months ended 30 September 2013, critical judgments were required in relation to the Merger and the recognition of a Government infrastructure grant and these are described in notes 21.3 and 19.1(c), respectively, to the Interim Financial Statements. Among other matters, the Group's critical judgments relate to the classification of leases as finance leases or operating leases and the classification of property as investment property; property, plant and equipment; or property held for resale. The Group's key sources of estimation uncertainty include the estimation of the fair value of investment property and properties under development (as to which, see "*—Key factors affecting results of operations—Investment properties are initially recorded at cost and, in accordance with* IFRS, *the Group recognises changes in the fair value of its investment properties during each accounting period in its income statement*") and the determination as to whether or not any financial asset is impaired.

ALDAR: COMPARISON OF 2012 AND 2011

Revenue

The table below shows a breakdown of Aldar's revenue in each of 2012 and 2011.

	2012	2011
	(AED millions)	
Property development and sales	9,966	5,436
Income from operating businesses	1,438	1,307
of which:		
Investment properties	*634*	*541*
Operative villages	*210*	*196*
Hotels	*416*	*419*
Schools	*140*	*113*
Leisure	*38*	*38*
Total revenue	**11,404**	**6,743**

Aldar's revenue is derived from:

- property development and sales, which comprises the sale of completed properties and the sale of development plots; and
- income from operating businesses, which comprises lease rentals derived from its investment properties and revenue derived from its other operating businesses.

Aldar's revenue for 2012 was AED 11,404 million, an increase of AED 4,661 million, or 69.1 per cent., compared to the AED 6,743 million recorded in 2011. This increase reflected an AED 4,531 million, or 83.4 per cent., increase in revenue from property development and sales reflecting primarily sales to the Government of Abu Dhabi and an AED 131 million, or 10.0 per cent., increase in income from operating businesses.

Property development and sales

Aldar's property development and sales revenue increased in 2012 principally as a result of sales of land and residential units to the Government. See "*—Key factors affecting results of operations—Volume of property sold*" for a description of the units sold by Aldar in each of 2011 and 2012.

Income from operating businesses

Aldar's income from operating businesses increased in 2012 principally as a result of an AED 93 million, or 17.2 per cent., increase in rental revenue received from investment properties, which in turn was driven by expansion of the portfolio and rental increases as new leases were executed in the portfolio, see "*—Key factors affecting results of operations—Expansion of investment* *property portfolio*" In addition, Aldar's income from schools increased by AED 27 million, or 24.0 per cent., mainly as a result of the full year effect of three schools opening in 2011 and its income from operative villages increased by AED 14 million, or 7.1 per cent., as a result of improvement in third party occupancy rates and the opening of a new operative village. Against these increases, income from Aldar's hotels fell by AED 4 million, or 0.9 per cent., notwithstanding an increase in occupancy rates from 61 per cent. in 2011 to 65 per cent. in 2012, principally as a result of better performance of the plaza hotels on Yas Island.

Direct costs

Aldar's direct costs are:

- cost of properties sold, which comprises the infrastructure development costs and construction costs of completed properties sold as well as the cost of land sold; and
- direct costs for its operating businesses, which includes direct costs incurred in the normal operating cycle of investment properties.

Aldar's direct costs for 2012 were AED 8,166 million, an increase of AED 3,069 million, or 60.2 per cent., compared to the AED 5,097 million recorded in 2011. This increase reflected an AED 3,119 million, or 76.1 per cent., increase in cost of properties sold and an AED 50 million, or 5.0 per cent., decrease in direct costs for its operating businesses.

Cost of properties sold

Aldar's cost of properties sold increased to AED 7,216 million in 2012 from AED 4,097 million in 2011. This increase is in line with the increase in revenue from property development and sales.

Direct costs for operating businesses

Aldar's direct costs for its operating businesses fell to AED 950 million in 2012 from AED 1,000 million in 2011, principally as a result of cost saving measures implemented in hotels and operative villages.

Gross profit

Reflecting the above factors, Aldar's gross profit for 2012 was AED 3,238 million, an increase of AED 1,592 million, or 96.8 per cent., compared to gross profit of AED 1,646 million in 2011. Aldar's gross profit margin was 28.4 per cent. in 2012 and 24.4 per cent. in 2011.

General and administrative expenses

Aldar's general and administrative expenses principally comprise staff costs, depreciation and amortisation charges, impairment charges and write off costs on its projects and other impairment charges and reversals of impairment charges. The table below shows a breakdown of Aldar's general and administrative expenses in each of 2012 and 2011.

	2012	**2011**
	(AED millions)	
Staff costs	(198)	(244)
Depreciation and amortisation	(435)	(590)
Impairment/write offs on projects	(1,171)	(1,822)
Provision for impairment of trade receivables	(16)	
Reversal of provision/(provision for impairment) of receivables from/ investment in associates and joint ventures	50	(174)
Reversal of provision/(provision for impairment) of amounts due from a related party	201	(201)
Other general and administrative expenses	(100)	(428)
Total	**(1,669)**	**(3,459)**

Aldar's general and administrative expenses for 2012 were AED 1,669 million, a decrease of AED 1,790 million, or 51.7 per cent., compared to the AED 3,459 million recorded in 2011. This decrease was driven by:

- an AED 651 million, or 35.7 per cent., decrease in impairment/write offs on projects, see "*—Key factors affecting results of operations—Impairment charges and write offs in respect of projects*";
- an AED 626 million change in impairment provisions in respect of a range of receivables, which amounted to AED 375 million in 2011 compared to a reversal of AED 251 million in 2012, principally reflecting the reversal in 2012 of an AED 201 million provision for impairment from a related party following a settlement agreement being executed in 2012 and the reversal of an AED 50 million provision following recovery of the amount from a joint venture;
- an AED 156 million, or 26.4 per cent., decrease in depreciation and amortisation charges, principally reflecting lower book values following impairment charges in respect of hotels and operative villages recorded in 2011; and
- an AED 46 million, or 18.9 per cent., decrease in staff costs, principally arising from a decrease in staff numbers and reductions in staff compensation and benefits.

Aldar's other general and administrative expenses were AED 100 million in 2012 and AED 428 million in 2011. The 2011 figure was affected by a number of factors which did not recur in 2012, including a provision for onerous contracts in an amount of AED 252 million, loss on cancellation of sales in an amount of AED 40 million and pre-opening expenses of operational businesses in an amount of AED 3 million. Excluding these factors, Aldar's other general and administrative expenses would have been AED 132 million in 2011.

Share of profit from associates and joint ventures

Aldar's associates and joint ventures (its "**equity accounted investees**") are accounted for using the equity method, which means that Aldar records its proportionate share of their net profit or loss in its income statement. Information on Aldar's equity accounted investees as at 31 December 2012 is set out in note 8 to the Aldar 2012 Financial Statements. In 2012, Aldar shared in the profit and loss of 10 equity accounted investees, five of which recorded profits and five of which were loss making. Aldar's most significant profitable equity accounted investee was Aldar Etihad Investment Properties LLC, a 50 per cent. owned joint venture which owns and leases to Etihad Airlines PJSC, a building constructed by Aldar. Aldar's share of the profit of this equity accounted investee was AED 163 million in 2012.

Fair value loss on investment properties

Aldar's investment properties are recorded on its balance sheet at their fair value. On each balance sheet date, the investment properties are re-valued and any changes in their fair value are reflected in Aldar's income statement for the relevant period.

In 2012, Aldar recorded a negative change in the fair value of its investment properties of AED 170 million compared to a negative fair value change of AED 541 million in 2011. Aldar fair values two of its buildings using discounted future estimated cash flows based on existing lease contracts and a discount rate of 10 per cent. All of its remaining investment properties are fair valued by independent professional valuation firms using either the residual valuation method or the income capitalisation method. Note 4.2 to the Aldar 2012 Financial Statements provides additional information about the uncertainties associated with fair valuations of its investment property portfolio.

See also "*—Key factors affecting results of operations—The Group's investment properties are initially recorded at cost and, in accordance with IFRS, the Group recognises changes in the fair value of its investment properties during each accounting period in its income statement*".

Net finance costs

Aldar's finance income principally comprises interest earned on its bank deposits and income earned from the unwinding of discount on its receivables. Aldar's finance costs principally comprise the interest it pays on its borrowings.

The table below shows Aldar's finance income and finance costs in each of 2012 and 2011.

	2012	2011
	(AED millions)	
Finance income from deposits with banks, net of amounts offset against finance costs capitalised	19	49
Financing element earned on receivables, net	142	—
Interest income earned on receivables from project finance	54	56
Other finance income	8	17
Total finance income	**223**	**122**
Finance costs excluding amounts included in the cost of qualifying assets	822	1,087
Recycling of hedging reserve loss	13	35
Gain on hedging	—	(18)
Total finance costs	**835**	**1,104**
Net finance costs	**(612)**	**(982)**

Aldar's net finance costs amounted to AED 612 million in 2012, a decrease of AED 370 million, or 37.6 per cent., compared to the AED 982 million recorded in 2011. The decrease principally reflected an AED 269 million decrease in finance costs and an AED 101 million increase in finance income. Aldar's decreased finance costs in 2012 resulted from the repayment and conversion of bonds and loans.

Other items of income

Aldar's other income was AED 446 million in 2012 compared to AED 3,951 million in 2011. In both years, the figures were impacted by non-recurring factors.

In 2011, Aldar's other income reflected a Government grant of AED 3,100 million which arose from the sale of Aldar's Central Market development to the Government and reflected the difference between the purchase price paid (AED 5.7 billion) and the fair value of the assets sold. In addition, in 2011 Aldar sold the Ferrari World theme park and related assets to the Government in accordance with the terms of an asset transfer agreement entered into in January 2011. A net gain of AED 842 million was recognised on this sale.

In 2012, Aldar reversed AED 432 million of projected provisions and cost recoveries relating to infrastructure and utilities reimbursables, following Government confirmation that the same would be paid.

Impairment loss on available for sale financial assets

Aldar holds certain UAE and international securities which are unquoted and recorded as available for sale. In each of 2012 and 2011, Aldar recorded impairment losses on these holdings reflecting a more than temporary change in their fair value. In 2012, the impairment charges amounted to AED 2 million compared to AED 39 million in 2011.

Profit for the year

Reflecting the above factors, Aldar's profit for 2012 was AED 1,341 million, an increase of AED 698 million, or 108.7 per cent., compared to the AED 642 million profit recorded in 2011.

Other comprehensive (loss)/income

Aldar's other comprehensive (loss)/income represents changes in equity during the year other than those changes resulting from transactions with owners in their capacity as owners. The table below shows Aldar's other comprehensive (loss)/income and its total comprehensive income for each of 2012 and 2011.

	2012	2011
	(AED millions)	
(Loss)/gain on fair valuation of available for sale financial assets	(28)	35
Impairment loss on available for sale financial assets transferred to profit or loss	—	18
Hedging losses transferred to carrying amounts of hedged items	—	48
Hedging losses recognised in profit or loss	1	13
Changes in fair value of cash flow hedges	(8)	(15)
Directors' remuneration(1)	(16)	—
Total other comprehensive (loss)/income	**(51)**	**99**
Profit for the year	1,341	642
Total comprehensive income for the year	**1,290**	**741**

Note:

(1) During 2012, management reassessed the accounting policy on directors' remuneration and determined that directors' remuneration should be reflected in profit or loss.

Aldar's total comprehensive income for the year was AED 1,290 million in 2012, an increase of AED 549 million, or 74.2 per cent., compared to the AED 741 million recorded in 2011.

Cash flow

The table below summarises Aldar's cash flows for each of 2012 and 2011.

	2012	2011
	(AED millions)	
Net cash generated from operating activities	4,472	4,300
Net cash (used in)/generated from investing activities	(1,399)	7,296
Net cash used in financing activities	(5,435)	(8,873)
Cash and cash equivalents at the start of the year	3,371	648
Cash and cash equivalents at the end of the year	1,009	3,371

Net cash generated from operating activities

In 2012, Aldar generated AED 4,472 million in net cash flow from operating activities. In 2011, Aldar generated AED 4,300 million in net cash flow from operating activities. The principal positive working capital changes in each year were decreases in inventories and development work in progress whilst, in 2011, there was also a significant increase in advances from customers. The principal negative change in each year was a decrease in trade and other payables and, in 2012, there was a significant decrease in advances from customers which were recognised upon delivery of developments.

Net cash (used in)/generated from investing activities

In 2012, Aldar's net cash used in investing activity amounted to AED 1,399 million. This principally reflected AED 983 million spent in additions to investment properties, including Yas Mall in particular, and an AED 469 million increase in deposits having maturities of more than three months. In 2011, Aldar's net cash generated from investing activities amounted to AED 7,296 million and principally reflected AED 7,412 million proceeds received from the disposal of the Ferrari World theme park and related assets. Other significant investment activities in 2011 were an AED 1,122 million reduction in deposits with maturities in excess of three months, an AED 999 million Government grant received for the sale of the World Trade Centre and AED 1,939 million in additions to investment properties.

Net cash used in financing activities

In 2012, Aldar used AED 5,435 million in financing activities, principally the net repayment of debt (in the amount of AED 4,237 million) and the payment of interest on its borrowings (in the amount of AED 982 million). In 2011, Aldar used AED 8,873 million in financing activities, principally the net repayment of debt (in the amount of AED 7,014 million) and the payment of interest on its borrowings (in the amount of AED 1,859 million).

SOROUH: COMPARISON OF 2012 AND 2011

Revenue

The table below shows a breakdown of Sorouh's revenue in each of 2012 and 2011.

	2012	2011
	(AED millions)	
Construction contracts revenue	2,421	1,114
Sale of properties	269	2,390
Lease income	217	174
Revenue from the rendering of services	97	86
Income from hotel operations	27	23
Total revenue	**3,031**	**3,787**

Sorouh's revenue is derived from:

- construction contracts, which principally represents the revenue derived from its National Housing construction contracts and, to a significantly lesser extent, other third party construction contracts undertaken by Pivot;
- property development and sales, which comprises the sale of completed properties and the sale of development plots;
- lease income, which comprises lease rentals derived from its investment properties;
- revenue from the rendering of services, which principally comprises facilities and property management; and
- income from hotel operations, which comprises revenue derived from the hotel developed and owned by Sorouh.

Sorouh's revenue for 2012 was AED 3,031 million, a decrease of AED 756 million, or 20.0 per cent., compared to the AED 3,788 million recorded in 2011. This decrease principally reflected an AED 2,121 million, or 88.7 per cent., decrease in revenue from property sales which was partially offset by an AED 1,307 million, or 117.3 per cent., increase in construction contracts revenue.

Sale of properties

Sorouh's revenue from the sale of properties decreased in 2012 principally as a result of changes in the volume of units and development plots sold, see "*—Key factors affecting results of operations—Volume of property sold*" for a description of the units sold by Sorouh in each of 2011 and 2012.

Construction contracts revenue

Sorouh's revenue from construction contracts increased in 2012 principally as a result of progress made on its National Housing construction projects, see "*—Key factors affecting results of operations—Volume and progress under construction contracts*".

Sorouh's lease income also increased in 2012, principally reflecting the expansion of the lease portfolio following the completion of significant developments in 2011 and 2012.

Cost of sales

The table below shows a breakdown of Sorouh's cost of sales in each of 2012 and 2011.

	2012	2011
	(AED millions)	
Cost of construction contracts	2,061	955
Cost of sold properties	134	2,030
Lease expense	71	30
Cost of services	64	72
Cost of hotel operations	8	7
Total cost of sales	**2,338**	**3,094**

Sorouh's cost of sales principally comprises the cost of its construction contracts and properties sold by it, which in both cases includes all direct costs of labour, materials, depreciation of property, plant and equipment and costs of subcontracted works, plus an appropriate proportion of construction overheads and general and administrative expenses of the year which are allocated to construction contracts and developments in progress during the year and, in the case of properties sold by it, includes the infrastructure development costs and the cost of land sold. The determination of the costs requires significant management discretion, see note 4.1.3 to the Sorouh 2012 Financial Statements.

Sorouh's cost of sales for 2012 was AED 2,338 million, a decrease of AED 756 million, or 24.4 per cent., compared to the AED 3,094 million recorded in 2011. This decrease principally reflected an AED 1,896 million, or 93.4 per cent., decrease in cost of sold properties which was substantially offset by an AED 1,106 million, or 115.8 per cent., increase in the cost of construction contracts.

Cost of sold properties

Sorouh's cost of sold properties decreased to AED 134 million in 2012 from AED 2,030 million in 2011. This decrease was in line with the decrease in its revenue from property sales.

Costs of construction contracts

Sorouh's costs of construction contracts increased to AED 2,061 million in 2012 from AED 955 million in 2011, in line with the increase in its construction contracts revenue in 2012.

Gross profit

Reflecting the above factors, Sorouh's gross profit for 2012 was AED 694 million, substantially unchanged from the gross profit of AED 693 million recorded in 2011. Sorouh's gross profit margin was 22.9 per cent. in 2012 compared to 18.3 per cent. in 2011.

General and administrative expenses

Sorouh's general and administrative expenses principally comprise its staff costs which amounted to 58.2 per cent. of its general and administrative expenses in 2012 and 54.7 per cent. in 2011. The table below shows a breakdown of Sorouh's general and administrative expenses in each of 2012 and 2011.

	2012	2011
	(AED millions)	
Staff costs	(131)	(109)
Consultation and advisory costs	(26)	(3)
Depreciation in property, plant and equipment	(20)	(23)
Office rent	(6)	(9)
Reversal of doubtful debts	4	2
Amortisation of intangible assets	(2)	(4)
Bad debts written off	(2)	(3)
Project costs written off, net	(1)	(2)
Allowance for doubtful debts	—	(16)
Other general and administrative expenses	(40)	(32)
Total	**(224)**	**(199)**

Sorouh's general and administrative expenses for 2012 were AED 224 million, an increase of AED 25 million, or 12.6 per cent., compared to the AED 199 million recorded in 2011. This increase was driven by an AED 22 million, or 19.9 per cent., increase in staff costs, principally resulting from a change in accounting treatment for Directors' fees, which were charged to the profit and loss account in 2012 and directly to equity in previous years.

Other items of general and administrative expenses also varied between the years, including:

- an AED 24 million increase in consultancy and advisory costs in 2012, principally relating to advisers' fees in connection with the Merger; and
- an AED 16 million reduction in the allowance for doubtful debts, principally reflecting the fact that Sorouh did not increase its allowance for impaired trade receivables in 2012 as management judged the allowance to be adequate in the light of current economic conditions whereas there was an AED 16 million provision charge in 2011.

Selling and marketing expenses

Sorouh's selling and marketing expenses include the costs of exhibitions, sponsorships and advertising, both on a corporate basis and related to specific developments as well as the sales commission paid to sales staff. Principally reflecting the significantly lower sales activity in 2012 compared to 2011, Sorouh's selling and marketing expenses fell by AED 11 million, or 35.6 per cent. in 2012 to AED 20 million compared to AED 31 million in 2011, principally reflecting the significantly lower sales activity in 2012 compared to 2011.

Fair value loss on investment properties, net

Sorouh's investment properties are recorded on its balance sheet at their fair value. On each balance sheet date, the investment properties are re-valued and any changes in their fair value are reflected in Sorouh's income statement for the relevant period.

Sorouh's completed investment properties are fair valued by independent professional valuation firms using either discounted cash flow models or the income capitalisation method. Sorouh's investment properties under development are fair valued using the residual value method. Note 4.2.2 to the Sorouh 2012 Financial Statements provides additional information about the uncertainties associated with fair valuations of its investment property portfolio.

See also "*—Key factors affecting results of operations—The Group's investment properties are initially recorded at cost and, in accordance with IFRS, the Group recognises changes in the fair value of its investment properties during each accounting period in its income statement*".

Impairment of goodwill

As at 31 December 2010, Sorouh's balance sheet contained AED 316 million in goodwill attributable to its acquisition of a majority interest in Pivot in 2008 and certain investment properties in 2006. In both 2011 and 2012, impairment charges were made against this goodwill, based on management's determination that the recoverable amount of the cash generating unit to which the goodwill is attributable was less than its carrying amount at the respective balance sheet dates. The impairment charges amounted to AED 117 million in 2011 and AED 36 million in 2012, resulting in outstanding goodwill of AED 163 million at 31 December 2012.

Share of losses from associates and joint ventures

Sorouh's equity accounted investees are accounted for using the equity method, which means that Sorouh records its proportionate share of their net profit or loss in its income statement. Information on Sorouh's equity accounted investees as at 31 December 2012 is set out in note 9 to the Sorouh 2012 Financial Statements. In 2012, Sorouh shared in the profit and loss of nine equity accounted investees, three of which recorded profits, three of which were loss making and three of which did not generate either a profit or a loss. Sorouh's most significant profitable equity accounted investee was Galaxy Building Materials Trading LLC, a 45 per cent. owned joint venture engaged in the distribution of building materials for major development projects in the UAE and the provision of fit out contracting, design and supplies. Sorouh's share of the profit of this equity accounted investee was AED 10 million in 2012. Sorouh's most significant loss making equity accounted investees were Al Maabar International Investment LLC, a 20 per cent. owned associate which currently has two international real estate development projects, one in Jordan and the other in Morocco, and Bunya Enterprises LLC- LLC, a 33 per cent. owned associate involved in infrastructure development and the provision of utility services. Sorouh's share of the losses of these two equity accounted investees was AED 49 million in 2012.

Net finance income

Sorouh's finance income principally comprises interest earned on its bank deposits and income generated from the unwinding of discount on its receivables. Sorouh's finance costs principally comprise the interest it pays on its borrowings.

The table below shows Sorouh's finance income and finance costs in each of 2012 and 2011.

	2012	**2011**
	(AED millions)	
Gross finance income	19	13
Financing element earned on receivables	37	39
Total finance income	**56**	**52**
Finance costs excluding amounts included in the cost of qualifying assets	20	22
Total finance costs	**20**	**22**
Net finance income	**36**	**30**

Sorouh's net finance income amounted to AED 36 million in 2012, an increase of AED 6 million, or 19.8 per cent., compared to the AED 30 million recorded in 2011. The increase principally reflected an AED 4 million increase in finance income and an AED 2 million decrease in finance costs.

Other items of income

Sorouh's other income was AED 184 million in 2012 compared to AED 60 million in 2011. The principal reasons for the increase in 2012 were an AED 109 million increase in the reversal of provisions and an AED 30 million increase in advances retained from cancelled units. AED 72 million of the increased reversal of provisions in 2012 resulted from a settlement agreement being reached in relation to certain land plots sold to developers. Advances retained from cancelled units reflects amounts received by Sorouh in respect of advance unit sales where the purchasers have defaulted on subsequent payments and Sorouh has elected, in accordance with the terms of the relevant sale and purchase agreement, to cancel the sales contract and retain all or a portion of the instalments paid.

Profit for the year

Reflecting the above factors, Sorouh's profit for 2012 was AED 507 million, an increase of AED 124 million, or 32.4 per cent., compared to the AED 383 million profit recorded in 2011.

Other comprehensive income

Sorouh's other comprehensive income represents changes in equity during the year other than those changes resulting from transactions with owners in their capacity as owners. The table below shows Sorouh's other comprehensive income for each of 2012 and 2011.

	2012	2011
	(AED millions)	
Release on disposal of available for sale financial assets	—	1
Change in fair value of hedging instruments	—	(4)
Exchange differences arising on translation of foreign operations	(2)	(1)
Directors' remuneration[(1)]	(13)	—
Total other comprehensive loss/income	**(15)**	**(4)**
Profit for the year	507	383
Total comprehensive income for the year	**492**	**379**

Note:

(1) During 2012, management reassessed the accounting policy on directors' remuneration and determined that directors' remuneration should be reflected in profit or loss.

Sorouh's total comprehensive income for the year was AED 492 million in 2012, an increase of AED 113 million, or 29.9 per cent., compared to the AED 379 million recorded in 2011.

Cash flow

The table below summarises Sorouh's cash flows for each of 2012 and 2011.

	2012	2011
	(AED millions)	
Net cash generated from operating activities	423	233
Net cash used in investing activities	(159)	(635)
Net cash (used in)/from financing activities	(701)	852
Cash and cash equivalents at the start of the year	1,582	1,133
Cash and cash equivalents at the end of the year	1,145	1,582

Net cash generated from operating activities

In 2012, Sorouh generated AED 423 million in net cash flow from operating activities compared to AED 233 million in 2011. The principal positive working capital changes in each year were decreases in trade and other receivables whilst, in 2012, there was also an increase in trade and other payables. The principal negative change in 2012 was a net decrease in development work in progress and the principal negative change in 2011 was a decrease in trade and other payables.

Net cash used in investing activities

In 2012, Sorouh's net cash used in investing activity amounted to AED 159 million. This principally reflected AED 230 million spent in relation to investment properties as Sorouh continued to develop its investment property portfolio which was partially offset by an AED 61 million decrease in term deposits with a maturity in excess of three months and in restricted short-term deposits. In 2011, Sorouh's net cash used in investing activities amounted to AED 635 million and principally reflected AED 616 million spent on developing investment properties.

Net cash (used in)/from financing activities

In 2012, Sorouh used AED 701 million in financing activities, principally the repayment of debt (in the amount of AED 390 million), the payment of interest on its borrowings (in the amount of AED 161 million) and the payment of dividends (in the amount of AED 141 million). In 2011, Sorouh raised AED 852 million in financing activities, principally through net borrowing (in the amount of AED 987 million) and the payment of interest on its borrowings (in the amount of AED 142 million).

FINANCIAL DEVELOPMENT OF THE GROUP IN 2013

On 7 November 2013, the Group published its financial statements as at, and for the nine months ended, 30 September 2013. These financial statements present:

- the condensed consolidated statement of financial position of the combined business as at 30 September 2013;
- in the condensed consolidated income statement, statement of comprehensive income and statement of cash flows, the results of operations and cash flows for Aldar for the whole period and for Sorouh for the period from 15 May 2013 to 30 September 2013.

The Group's financial information for the nine months ended 30 September 2012 is not directly comparable to that for the nine months ended 30 September 2013, as the financial information for the nine months ended 30 September 2012 only reflects the results of operations and financial position of Aldar for that period. Accordingly, set out below is a commentary on the Group's results of operations in the nine months ended 30 September 2013, an analysis of certain of the Group's significant statement of financial position items at 30 September 2013 and a commentary on the Group's liquidity and capital resources.

The Group's results of operations in the nine months ended 30 September were significantly impacted by the Merger.

In accordance with IFRS requirements, the Merger was accounted for as an acquisition by Aldar of Sorouh. The effective accounting date of the acquisition was 15 May 2013 (the "**effective date**"), which was determined to be the date on which all material conditions of the Merger had been satisfied.

From the effective date, all revenues, costs, profits and losses of Sorouh were consolidated with Aldar. In addition, as at the effective date all assets and liabilities of Sorouh were fair valued and consolidated into the financial statements of Aldar at their fair values. A gain on business combination of AED 2,591 million was recorded in the income statement in the nine months ended 30 September 2013, arising from the difference between the fair value of Sorouh's assets, including land assets which were previously held at nominal value, and the consideration transferred. This gain also includes the profit of Sorouh for the period from 1 January 2013 up to the effective date.

Sorouh's reviewed condensed consolidated statement of financial position and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2013 were released on 30 April 2013 and are incorporated by reference in this Prospectus.

Aldar's and Sorouh's revenues and costs were combined from the effective date and the business was accounted for as a single combined entity from that date. As a result, it is not possible to determine with accuracy the individual Aldar and Sorouh contributions to revenues, costs and gross profit from the effective date. However, a *pro forma* table showing the Group's revenue, gross profit and net profit for the nine months ended 30 September 2013 on the assumption that the effective date of the Merger was 1 January 2013 is set out under "*Selected Financial Information*".

Following the Merger, the Group re-assessed certain assets for impairment and determined that its hotels, certain receivables, one of its projects and certain inventories should be impaired. The hotel impairment, which amounted to AED 251 million, reflected softness in current and forecast average daily rates, revised business planning and recent market prices which impacted the Group's cash flow forecasts in respect of the relevant properties. The receivables impairment, which amounted to AED 224 million resulted principally from a decision by the Government that certain refundable costs of AED 220 million in relation to a project would not be reimbursed. In addition, the Group identified that a Governmental building height restriction would reduce the gross floor area of one its projects and this resulted in an impairment of AED 572 million.

The Group's revenue from property development and sales is volatile and depends significantly on the volume of units completed and handed over to purchasers in each period. As a result of the Merger, the Group's short-term development pipeline has been strengthened with a number of significant projects scheduled to complete in the period to 31 December 2013, including al rayyana and The

Gate Towers. For further information, see "*—Key factors affecting results of operations—Volume of property sold*".

As a result of the Merger, the Group acquired a new revenue stream from on balance sheet National Housing construction contracts. For further information, see "*—Key factors affecting results of operations—Volume and progress under construction contracts*".

The remainder of the Group's revenue is recurring. In 2012, Aldar's recurring revenue accounted for 12.6 per cent. of its total revenue and Sorouh's recurring revenue accounted for 11.3 per cent. of its total revenue. As a result of the Merger, the Group expects to significantly increase the proportion of its recurring revenue.

As a result of the Merger, the Group assumed AED 2.1 billion in bank debt previously borrowed by Sorouh. However, in June 2013 the Group redeemed non-convertible bonds previously issued by Aldar with a nominal value of AED 3.75 billion. As a result of these transactions and other new borrowings and debt repayment during the nine months ended 30 September 2013, the Group's total borrowings at 30 September 2013 were AED 0.3 million higher than at 31 December 2012.

CERTAIN SIGNIFICANT STATEMENT OF FINANCIAL POSITION ITEMS

The Group's principal non-cash assets are its property, plant and equipment (which includes its hotel assets), investment properties, development work in progress and trade and other receivables, which together amounted to AED 35,294 million, or 78.7 per cent., of the Group's total assets at 30 September 2013.

Trade and other receivables

As at 30 September 2013, the Group's trade and other receivables amounted to AED 13.2 billion, or 29.5 per cent. of its total assets. The Group's trade and other receivables principally comprise AED 9.0 billion due from the Government, mainly in respect of reimbursable costs and receivables from assets sold. The Group's trade and other receivables also include AED 2.5 billion in trade receivables, which principally comprise sales price instalments in respect of land plots sold, as well as smaller amounts due from customers under construction contracts, receivables from project finance, amounts due from joint ventures, advances and prepayments made by Aldar and other amounts.

As at 30 September 2013, 52 per cent. of the Group's trade receivables were from five customers. The table below shows the ageing of the Group's trade receivables at 30 September 2013.

	At 30 September 2013
	(AED millions)
Not past due	643
Past due more than 180 days, but not impaired	1,824
Past due more than 180 days and impaired	555
Total trade receivables	**3,022**

No collateral has been taken on the Group's trade receivables. Late payment charges are payable on past due receivables of sale price instalments in accordance with the provisions of the Group's sales and purchase agreements.

Investment properties

The balance sheet value of the Group's investment properties amounted to AED 11,432 million, or 25.5 per cent. of the Group's total assets, at 30 September 2013 compared to AED 6,078 million for Aldar and AED 4,103 million for Sorouh at 31 December 2012. The higher value at 30 September 2013 compared to the aggregate value for Aldar and Sorouh at 31 December 2012 principally reflects development costs incurred during the year on investment properties under development net of decreases in the fair valuation of Sorouh's and Aldar's investment properties during the period.

Development work in progress

The Group is in the process of developing a number of different properties, which, once completed, are expected to be sold. The development work in respect of these properties is carried at the lower of cost or net realisable value on the balance sheet. As a result, development work in progress typically increases as construction on the projects progresses. Cost in respect of development work in progress comprises all direct costs attributable to the design and construction of the property including capitalised financing costs and directly attributable staff costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs to complete and applicable selling expenses.

The balance sheet value of the Group's development work in progress amounted to AED 7,322 million, or 16.3 per cent. of the Group's total assets, at 30 September 2013 compared to AED 4,223 million for Aldar and AED 4,129 million for Sorouh at 31 December 2012. The lower value at 30 September 2013 compared to the aggregate value for Aldar and Sorouh at 31 December 2012 principally reflected impairments and transfers to other categories upon completion of projects.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financing requirements are primarily to fund its property development expenditure and repay or refinance its debts. The Group typically seeks to fund its expenditures and working capital needs from cash flow from operations (including the proceeds of property sales) and infrastructure reimbursements and borrowings. In relation to its residential completed properties, the Group generally sells units in advance of their construction (generally only once construction has commenced) with the purchasers paying an initial deposit of 10 per cent. to 20 per cent. of the purchase price and the balance of the purchase price in instalments during the construction period. Similarly, the Group generally receives a deposit and instalment payments on its sales of development land. These advance payments are used by the Group to partially finance its developments with the balance of the financing being funded through operating cash flow and borrowings.

The Group expects that the level of its outstanding borrowings will decrease in future years as it collects Government and other receivables and completes and hands over a significant pipeline of short- to medium-term property development projects. As a result, the Group's net debt is expected to decrease in the short- and medium-term. The Group's net debt is defined as interest bearing loans and borrowings less cash and bank balances.

Although the Group is not subject to any externally imposed capital requirements, it is subject to financial covenants under certain of its financings, which may limit its ability to undertake additional financings. These covenants include observing certain limits and ratios related to net worth, gearing levels debt service and collateral coverage.

The Group seeks to maintain significant cash balances in order to fund mismatches between expenses incurred and receipt of payments from its customers. As at 30 September 2013, cash and bank balances amounted to AED 5,513 million. Of those amounts, AED 3,760 million were held in the form of cash and unrestricted deposits.

Borrowings

At 30 September 2013, the Group's borrowings comprised:

- AED 9.6 billion outstanding bank borrowings, including syndicated, bilateral and Government loan facilities as well as Islamic facilities; and
- U.S.$1.25 billion (equivalent to AED 4.6 billion) debt securities issued in May 2009, plus AED 170 million of unamortised issuance costs and accrued interest.

The table below shows a maturity profile of the Group's outstanding borrowings at 30 September 2013.

	At 30 September 2013	
	Debt securities	Bank borrowings
	(AED millions)	
Due within one year	4,760	6,563
Due after one year and within five years	—	3,030
Due after five years	—	—
Total	**4,760**	**9,593**

The Group enters into derivative contracts in relation to a number of its borrowings designed to hedge its exposure to movements in interest rates. These contracts give rise to movements in the Group's hedging reserve and can also impact its income statement. See note 3.12 to the Interim Financial Statements. As at 30 September 2013, the Group's hedging reserve was negative in the amount of AED 51 million.

The Group's borrowings bear interest at fixed or floating rates, many are secured by mortgages over plots of land, assignments of project receivables and liens on bank deposits and all the borrowings are denominated in either dirham or U.S. dollars.

As at 19 November 2013, the Group had available drawings of AED 4.75 billion under its committed lending facilities.

COMMITMENTS AND CONTINGENCIES

As at 30 September 2013, the Group had capital commitments of AED 3,588 million, principally relating to committed project development work including under reimbursable projects. The table below shows details of this contracted (but not yet incurred) capital expenditure at 30 September 2013.

	At 30 September 2013
	(AED millions)
Projects under development	971
Reimbursable project works in progress	2,519
Investments	94
Others	4
Total capital commitments	**3,588**

These commitments are expected to be incurred over a five year period.

The Group also has operating lease commitments both as lessor and lessee. Its commitments as lessor cover a 10-year period and aggregated AED 1,661 million at 30 September 2013 while its commitments as lessee cover a 68-year period and aggregated AED 553 million at 30 September 2013, see note 20.2 to the Interim Financial Statements.

As at 30 September 2013, the Group had contingent liabilities under letters of credit and bank guarantees of AED 399 million and AED 206 million as its share in the contingencies of joint ventures. In addition, a contractor claim in an amount of AED 300 million has also been made although management believes that this claim has no substance and has not therefore made any provision in respect of it.

RELATED PARTY TRANSACTIONS

The Group's related parties include its shareholders, its associates and joint ventures and its directors and key management. The Government is a major shareholder of the Group and a significant related party. The Group's related party transactions are described in note 19 to the Interim Financial

Statements and certain significant transactions with the Government are also described under "*Overview of the UAE and Abu Dhabi—Transactions with the Government*".

FINANCIAL RISK MANAGEMENT

The Group's financial risk management policies are described in note 35 to the Aldar 2012 Financial Statements.

DESCRIPTION OF THE GROUP

See "Presentation of financial and other information – Defined terms relating to the Group's land bank and projects" for a description of the meaning of certain terms used in this description.

OVERVIEW

The Group is the leading listed property developer in Abu Dhabi in terms of total assets and number of developments. Aldar was established, and listed on the Abu Dhabi Securities Exchange, in 2005 to undertake development projects primarily in Abu Dhabi. On 27 June 2013, Aldar and Sorouh merged. The Merger was effected by the transfer of all Sorouh assets and liabilities to Aldar against the issue of Aldar shares to Sorouh shareholders and the subsequent dissolution of Sorouh, see "—*Merger with Sorouh*" below. Following the Merger, the Government continues to hold a significant indirect interest in Aldar. See "—*Shareholders*" below. The Merger has resulted in the Group owning a larger and more diversified portfolio of investment properties, having stronger assured Government contracted cash flows, and a larger pipeline of developments that will be delivered in the short- to medium-term. In addition, the Merger strengthened the Group's balance sheet significantly, as evidenced by a 95 per cent. increase in shareholder's equity as at 30 September 2013 compared to 31 December 2012 and a reduction in the net debt to equity ratio from 144 per cent. at 31 December 2012 to 55 per cent. at 30 September 2013.

The Group's business is focused on three core activities:

- **Asset Management**: owning residential, commercial, retail and hospitality real estate assets for investment purposes, growing the recurring income portfolio, optimising the portfolio valuation and providing asset management services to third parties;
- **Real Estate Development**: development planning and real estate development in accordance with market demand, either on balance sheet, using the Group's extensive land bank, or on a fee basis, using the Group's extensive expertise as development manager to manage third party projects; and
- **Adjacent Businesses**: developing and managing adjacent businesses such as schools, vertically integrated businesses such as construction and facilities and property management, and investments in joint ventures and associates.

The Group's developments include residential properties, offices, retail sites, hotels, tourist attractions, leisure facilities, hospitals and schools. In addition, the Group undertakes infrastructure projects for the Government including, for example, the Shahama Saadiyat Freeway connecting the Abu Dhabi International Airport with Yas Island, Saadiyat Island and Mina Zayed.

The Group's undeveloped land bank is all located in Abu Dhabi and comprised an area of approximately 77 million square metres at 30 September 2013. The majority of the Group's undeveloped land bank was gifted to it by the Government, and much of it is already serviced with infrastructure developed by the Group and expensed through profit and loss, or reimbursed or reimbursable from the Government.

As at 30 September 2013:

- the Group's receivables were AED 13.2 billion, of which the Group's agreed and contracted cash receivables from the Government amounted to AED 9.0 billion;
- the Group's investment properties were valued at AED 11.4 billion;
- the Group's development work in progress was valued at AED 7.3 billion;
- the Group's completed properties held in inventory, principally residential properties for leasing, were valued at AED 1.2 billion; and
- the Group's land held for resale was valued at AED 1.8 billion.

The Group currently has three major projects under construction. These are The Gate Towers and al rayyana (both of which will be completed by the end of 2013) and Yas Mall, which, when completed, will make the Group the leading owner of retail investment property in terms of gross floor area in Abu Dhabi. Each of these developments is described further under "—*Business*" below.

Aldar was incorporated in Abu Dhabi as a public joint stock company following receipt of the approval of the Abu Dhabi Department of Planning and Economy on 12 October 2004 under Decision No. (16) of 2004 and the declaration of incorporation through Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy on 23 February 2005. On 4 April 2005, Aldar's shares were admitted to the official list of the Abu Dhabi Securities Exchange (the "**ADX**"). The commercial registration number of Aldar is CN-1 003168 and its registered office address is HQ Building, Al Raha Beach, P.O. Box 51133, Abu Dhabi, UAE. Its telephone number is +9712 810 5555.

MERGER WITH SOROUH

As at 31 December 2012, Aldar was a real estate development company located in Abu Dhabi with three core activities: development; investment properties; and operating businesses. Aldar's investment properties primarily comprised commercial offices, retail facilities and hotels, although it also had a small residential investment property portfolio. As at 31 December 2012, Aldar's land bank amounted to 19 million square metres, its total assets were AED 32,041 million and its net assets were AED 8,180 million. Aldar's revenue and profit for the year ended 31 December 2012 were AED 11,404 million and AED 1,341 million, respectively, and its cash flow from operating activities was AED 4,472 million.

As at 31 December 2012, Sorouh was a real estate development company located in Abu Dhabi whose principal activities were property investment and development. Sorouh's investment property was principally residential in nature. As at 31 December 2012, Sorouh's land bank amounted to 58 million square metres, its total assets were AED 14,307 million and its net assets were AED 6,921 million. Sorouh's revenue and profit for the year ended 31 December 2012 were AED 3,032 million and AED 507 million, respectively, and its cash flow from operating activities was AED 423 million.

On 11 March 2012, Aldar and Sorouh announced that they had commenced discussions relating to a possible merger of the two companies. On 21 January 2013, Aldar and Sorouh jointly announced that they had agreed the terms of the proposed merger by way of an all share purchase by Aldar of Sorouh shares at a ratio of 1.288 new Aldar shares for each Sorouh share. On 3 March 2013, shareholders of Aldar and Sorouh voted at their respective EGMs in favour of the merger.

On 27 June 2013, after satisfaction of all pre-conditions of the merger, the Ministry of Economy declared the merger to be effective, the assets and liabilities of Sorouh were assumed by Aldar in consideration for the issue of 3,381,000,000 new Aldar shares to Sorouh shareholders, and Sorouh was delisted from the ADX and subsequently dissolved pursuant to the provisions of Article 280 of the Companies Law. Trading in the newly issued shares of Aldar became effective on 30 June 2013. The effective date of the Merger for IFRS accounting purposes is 15 May 2013.

At the time of the Merger, Aldar estimated that there was significant scope for cost synergies of between AED 90 million and AED 110 million per year to be derived from the Merger, principally through:

- rationalisation of duplicate central functions and corporate expenses;
- consolidation of office space and management;
- optimisation of financial charges due to improved credit terms;
- integration of information technology ("**IT**") platforms;
- corporate procurement savings from economies of scale; and
- procurement savings in property-related facility management services.

These annual synergies were expected to be achieved by 2015, and to be partially offset by one-off integration costs incurred during 2013. As at the date of this Prospectus, the planned integration is well ahead of schedule, savings from the integration are expected to exceed initial forecasts and one-off costs are significantly lower due to lower than expected redundancy and interest expenses.

In addition to the cost synergies, the Group expects over the medium-term to achieve additional capital expenditure synergies on future developments by leveraging the scale and expertise of the combined business in project design, procurement and management.

SHAREHOLDERS AND SHARES

Aldar's issued and fully paid up share capital was 7,862,629,603 ordinary shares of AED 1.00 each at 30 September 2013. Aldar's shares are admitted to listing and trading on the ADX. Pursuant to the rules of the ADX, Aldar is required to disclose any interest in its shares of five per cent. or more.

The table below sets out certain information with respect to the ownership of Aldar's shares as at 30 September 2013 by persons or groups of affiliated persons known by Aldar to own at least five per cent. of its shares.

Shareholder name	Number of shares	% of shares held
Mubadala[(1)]	2,398,213,764	30.5%

Note:

(1) Wholly-owned by the Government.

BUSINESS STRENGTHS

Strong and strategic Government relationship

Supporting the Government's development strategy

The Government's development strategy is centred around four priority areas: economic development; social and human resource development; infrastructure development and environmental sustainability; and optimisation of the role of the Government in the future of the Emirate. For further information on this strategy, see "*Overview of the UAE and Abu Dhabi—Abu Dhabi's economic strategy*".

The Group's projects further social and human resource development in the Emirate through the construction of National Housing, schools and medical facilities and significant infrastructure development associated with a number of its projects and improve the standard of living for the residents of the Emirate. The Group continues to collaborate with the Government to assist it to fulfil these objectives.

Strategic projects delivered or under development for the Government include:

- Yas Marina circuit, a Formula 1 race track that enables Abu Dhabi to host a Formula 1 Grand Prix and which has generated significant publicity for Abu Dhabi and contributed to increased tourism;
- Ferrari World and Yas Waterworld, two theme parks forming a key element of the entertainment offering on Yas Island and which aim to support the development of tourism in Abu Dhabi;
- a number of residential projects that are part of the Government's national housing programme targeting housing for UAE nationals, see "*—Business—Real estate development—Developments managed for third parties*", and "*—Business—Adjacent businesses—Construction reporting segment—National Housing developments*";
- other projects, such as the World Trade Centre, Abu Dhabi, the Masdar Institute of Science and Technology and Cleveland Clinic Abu Dhabi, see "*—Business—Real estate development—Developments managed for third parties*"; and
- major infrastructure projects, including utility networks, highways, and road interchanges or junctions.

To date, the Group has completed Government projects (including infrastructure projects) with a value of approximately AED 25 billion and is currently involved in projects which have an approximately similar value. Whilst many of the completed projects were developed by Aldar for its own account and subsequently sold to the Government, most of the current projects are fee-based, fully funded by the Government and therefore represent a significantly smaller risk for the Group. Aldar expects to continue to deliver strategic assets and projects for the Government in the future.

In addition, Aldar has established and commenced operation of six schools for its own account, and intends to establish further schools in the future.

Majority of land bank contributed by the Government

In line with the Government's prevailing practice, a significant proportion of the Group's land bank was granted to it free of charge by the Government.

Significant Government financial support

The Group has also benefitted from significant Government financial support, including:

- in 2007, a significant unsecured loan with no restrictive financial or other covenants amounting to AED 15 billion, to help fund the costs of certain developments on Yas Island, of which AED 3.6 billion was transferred in 2009 by the Government to Mubadala Development Company PJSC (''**Mubadala**''), which is wholly owned by the Government, as a mandatory convertible bond. This bond was fully converted in 2011 and significantly increased Mubadala's shareholding in Aldar;
- in 2009, the purchase by the Government of the Formula 1 Race Track and related infrastructure for a total of AED 9.3 billion, of which 70 per cent. was offset against the 2007 unsecured loan, and the remaining AED 2.8 billion is being paid in equal annual cash instalments of AED 348 million until 2017, and
- in 2011, the subscription by Mubadala to a AED 2.8 billion mandatory convertible bond, of which AED 2.1 billion was converted in 2011 and the balance of AED 694 million was converted in early 2013.
- in 2011 and in early 2013, the purchase by the Government for a total of AED 36.6 billion of a number of significant assets including infrastructure from Aldar and Sorouh, respectively, as further described below:

Sale of assets at Yas Island on 16 January 2011

On 16 January 2011, Aldar sold certain infrastructure assets on Yas Island (including the Ferrari World theme park) to the Government for a total consideration of AED 10.9 billion. All the consideration in respect of this transaction has been received by the Group.

Sale of assets at Al Raha Beach on 24 March 2011

On 24 March 2011, Aldar sold certain residential units and land at Al Raha Beach to the Government for a total consideration of AED 5.7 billion.

Sale of assets and reimbursement for infrastructure at Al Raha Beach on 27 December 2011

On 27 December 2011, Aldar sold certain residential units within the Al Bandar, Al Zeina and Al Muneera developments in Al Raha Beach to the Government for a total consideration of AED 3.5 billion. Aldar retained the ownership of the remaining inventory of units at Al Raha Beach. In line with previous agreements between the Government and Aldar relating to Yas Island, the Government also agreed to reimburse Aldar AED 5 billion in respect of certain infrastructure assets at Al Raha Beach. This amount was paid by way of a credit against sums owed by Aldar to the Government pursuant to an infrastructure loan made by the Government to Aldar. The relevant infrastructure assets will be transferred to the relevant Government authorities as and when directed by the Government.

Sale of World Trade Centre Abu Dhabi on 27 December 2011

In 2005, the Government tasked Aldar with the redevelopment of part of Abu Dhabi's city centre known as World Trade Centre Abu Dhabi (formerly known as Central Market). In line with previous transactions relating to strategic assets, existing assets of World Trade Centre Abu Dhabi and its associated infrastructure were sold to the Government on 27 December 2011 for a total consideration of AED 5.7 billion and entered into a construction management agreement for AED 2.6 billion.

Sorouh transaction on 21 January 2013

On 21 January 2013, Sorouh agreed to a transaction with the Government for a total consideration of AED 3.2 billion, of which AED 2.6 billion had been paid as at 30 September 2013. The transaction when fully completed and implemented will comprise:

Reimbursement for infrastructure: The Government agreed to a transaction of AED 1.6 billion in respect of certain infrastructure assets constructed by Sorouh. The infrastructure assets will be transferred to the relevant Government authorities as and when directed by the Government, and the reimbursement will be settled in cash prior to or upon transfer.

Sale of units at The Gate development: The Government agreed to a transaction to purchase units at The Gate development for a consideration of AED1.6 billion. The purchase price will be settled in cash prior to or upon handover of the units, which is scheduled for the fourth quarter of 2013.

Revenue from the sale of these units will be recognised when the risk of ownership is transferred to the Government.

The table below illustrates the expected cash flow timings as at 30 September 2013 for certain of these Government transactions which generated future cashflows:

	Q4 2013	2014	2015	After 2015	Total
			(AED millions)		
Aldar					
Sale of assets (December 2009)	348	348	348	696	1,739
Sale of assets (March 2011)	—	950	—	—	950
Sale of assets (December 2011)	—	3,500	1,318	—	4,818
Total Aldar	**348**	**4,798**	**1,666**	**696**	**7,507**
Sorouh					
Sorouh transactions	—	600	—	—	600
Total	**348**	**5,398**	**1,666**	**696**	**8,107**

While the Government has in the past provided support to Aldar in terms of land grants and financing, the Government is under no obligation to continue to provide any financial or other support to Aldar, including any future grants of land. The Certificates are not guaranteed by the Government and do not constitute obligations of the Government. Certificateholders will not therefore benefit from any legally enforceable Government backing. Entities through which the Government's shareholding in Aldar is held may also sell any or all of their shares in Aldar at any time.

Strong shareholder and Board links

Following the Merger, Government and Government related entities hold 40 per cent. of Aldar's share capital through Mubadala and Abu Dhabi Investment Company, which are both wholly-owned by the Government, the Abu Dhabi Retirement Pensions and Benefits Fund, and through National Bank of Abu Dhabi PJSC, which is majority-owned by the Government. Mubadala is the single largest shareholder, holding 30.5 per cent. of Aldar's share capital. In addition, many of Aldar's directors have close links with the Government and/or are directors of Government owned entities.

Large and strong balance sheet

Aldar is the largest listed real estate company in Abu Dhabi and the second largest listed real estate company in the UAE, in each case in terms of total assets and the number of development. At 30 September 2013, the Group's total consolidated assets amounted to AED 44.8 billion and its consolidated shareholders' equity amounted to AED 16.2 billion. At the same date, the Group's investment properties portfolio was valued on its balance sheet at AED 11.4 billion and its development work in progress was valued at AED 7.3 billion.

A large majority of the Group's development work in progress consists of projects (including, in particular, The Gate, al rayyana and Yas Mall) which are expected to be delivered within the next 12 months and to contribute to both sales revenue when delivered and recurring revenue thereafter. At 30 September 2013, the Group also had receivables of AED 13.2 billion, including AED 9.0 billion due from the Government, and a cash balance of AED 5.5 billion.

At the same date, the Group's interest bearing loans and borrowings totalled AED 14.4 billion, with AED 11.3 billion, or 78.9 per cent., maturing in one year. The Group expects to finance its maturing debt through a combination of unrestricted cash balances of AED 3.7 billion and undrawn loan commitments of AED 750 million, in each case as at 30 September 2013, Government contracted receivables of AED 9.0 billion, of which AED 6.6 billion fall due in the 12 months to 30 September 2014, revenues earned and future borrowings, including the proceeds of the issue of the Certificates. The Group's net debt to equity ratio was 55 per cent. at 30 September 2013 and Aldar expects this ratio to continue to fall over the next few years. The Group's long-term debt target is to maintain its total debt at between 35 to 40 per cent. of the value of its recurring assets plus low to moderate leverage for new development projects.

Growing and diversified recurring income

The Group's recurring revenue principally comprises lease and related income from a well-diversified portfolio of residential, office and retail units, income from owned hotels, income from its schools and income from its operative villages.

In the year ended 31 December 2012, Aldar's recurring revenue amounted to 12.6 per cent. of its total revenue. Following the Merger, the Group's recurring revenue has become significantly more diversified, which Aldar believes will significantly reduce the Group's financial risk profile. The Group's recurring revenues are expected to increase significantly over the next few years, driven by rents for retail units in Yas Mall, which is scheduled for completion in 2014, and rents for the retained residential units in the Gate Towers and al rayyana developments, both of which are expected to commence handover before 31 December 2013.

The Group enjoys market leadership in Abu Dhabi, its core market

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation. Abu Dhabi's economy is driven by its oil and gas production and the Emirate has proven crude oil reserves estimated to be in excess of 90 billion barrels and approximately 6 per cent. of the world's proven oil reserves at 31 December 2012. Abu Dhabi reported real GDP growth of 9.3 per cent. in 2011 and 5.6 per cent. in 2012 and, according to the Abu Dhabi Statistics Centre, Abu Dhabi's nominal GDP per capita was estimated to be approximately U.S.$106,324 in 2012 which makes it one of the highest in the Gulf region.

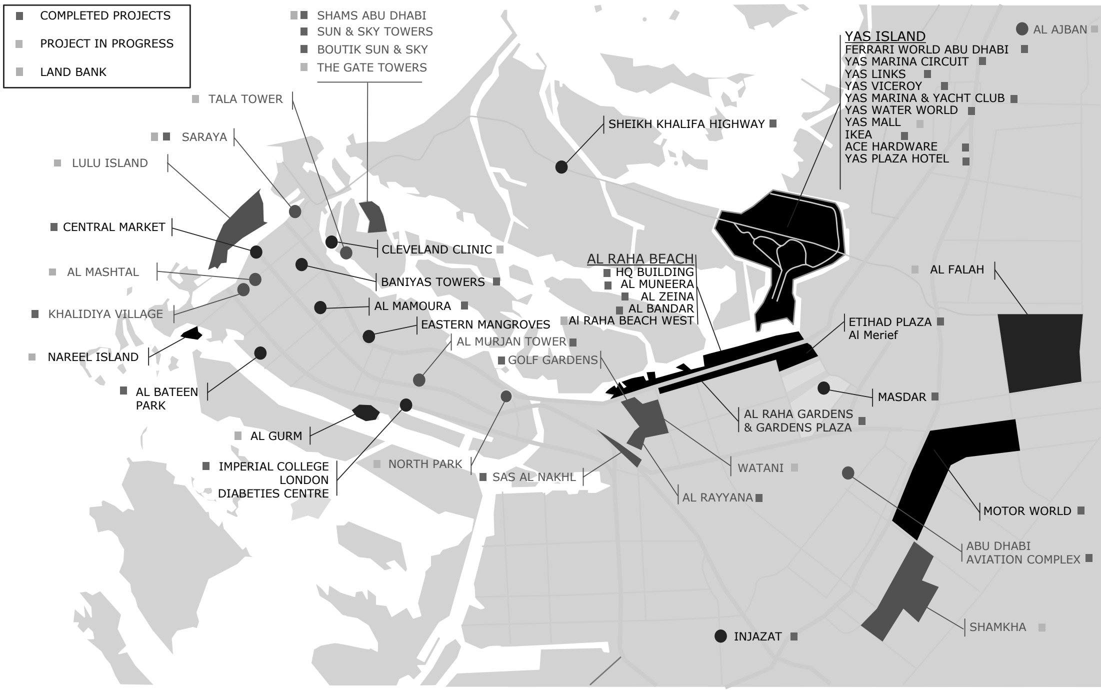
The Group enjoys market leadership in Abu Dhabi across major segments of the real estate industry, including residential, retail, office and hospitality. Aldar is the largest listed real estate developer in Abu Dhabi in terms of both total assets and number of developments.

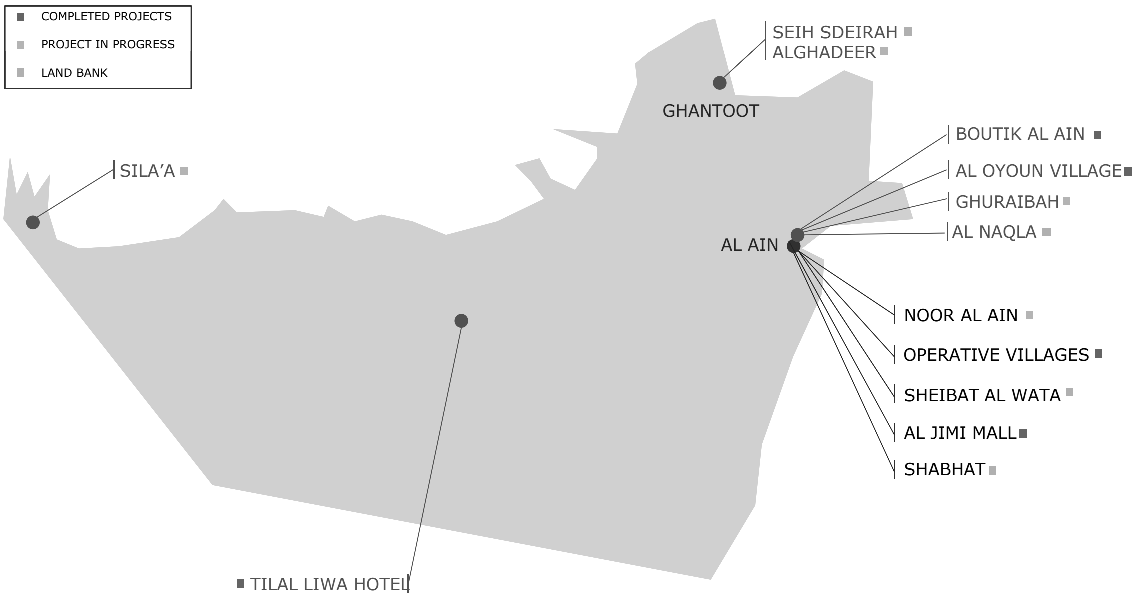
The Group also owns one of the largest land banks in the region, 90 per cent. of which is located in investment zones which allows GCC nationals or entities wholly-owned by them to purchase freehold, and non-GCC nationals to purchase long-term musataha, or usufruct, interests. As a result of its large land bank and range of available plots and locations, Aldar believes that it now has an enhanced ability to prioritise and select low risk and value adding projects, as well as to monetise the Group's land bank when opportunities arise and to recycle capital into growth opportunities.

The Group also has a strong track record of project deliveries across the real estate spectrum, having completed at 30 September 2013:

- 15,700 residential units, of which 87 per cent. have been sold (including approximately 42 per cent. under the Government's National Housing scheme, see "*Business—Real estate developments—National Housing development—Developments managed for third parties*" and "*Business—Adjacent businesses—Construction reporting segment—National Housing developments*")*),* the remaining 13 per cent. are held in inventory (of which 78 per cent. are leased);
- approximately 296,000 square metres of office space of which 78 per cent. is Grade A and the balance is Grade B has been delivered, of which 180,000 square metres is currently under management;
- approximately 234,000 square metres of retail space is completed and is held under management, with a further 250,000 square metres under construction to be added in the next 12 months;
- nine hotels and hotel apartment buildings which are held under management with a total of 2,536 keys; and
- approximately AED 25.0 billion of infrastructure projects and a range of strategic assets such as the Ferrari World theme park, a Formula 1 race track and the Yas Waterworld theme park for the Government.

Almost all of the Group's completed and current projects are located in the Emirate of Abu Dhabi, with the major projects being illustrated in the maps below.





Experienced management team

The Group is managed by a strong management team selected from both Aldar and Sorouh to ensure the right mix of talent and experience to successfully deliver the Group's future strategy. See "*Management and employees*" for a description of Aldar's directors and senior management team.

STRATEGY

Aldar was created primarily to develop real estate in the Emirate, whilst providing superior, sustained and secure long-term shareholder returns from the development and sale or management of its real estate projects in Abu Dhabi. The Group's recently approved mission is "to maximise its stakeholder value by passionately creating and managing quality living places" and its vision is "to be the most trusted and recognised real estate lifestyle developer in Abu Dhabi and beyond". The Group's strategy is designed to achieve its goals by focusing on:

- **Profit**: The Group intends to focus on maximising profitability from developments that provide a diverse, stable and growing portfolio of recurring income, deleveraging its balance sheet, optimising its cost structure and monetising its land bank.
- **Partners**: The Group aims to conduct its business in a manner which makes it the natural partner of choice. It focuses on delivering high quality developments within the promised timeframe that appeal to its customers, enhance its brand and make it the trusted and recognised developer in Abu Dhabi. The Group recognises the part it plays in the Government's vision and seeks to continue to develop a long-term commercial and mutually beneficial relationship with its key partner, the Government.
- **Products**: As discussed below, the Group is focusing on its three core activities; asset management, development and adjacent businesses. Within this, it aims to be the dominant retail landlord within Abu Dhabi, to enhance its master planned developments of Yas Island, Al Raha Beach and Shams Abu Dhabi as destinations, and to build desirable communities so that it becomes the residential landlord of choice.
- **People**: The Group is focusing on recruiting and retaining its talented employees and has adopted employee remuneration and other policies designed to make it the employer of choice in the real estate industry in the UAE.

The Group's business strategy is focused around three strategic pillars:

Asset management

The Group's asset management business has been formed on the basis of:

- managing of the Group's own residential, office and retail assets within its developments in order to achieve both sustainable recurring rental income and capital appreciation;
- managing other asset classes, such as hotels, leisure and other operating businesses; and
- expanding the Group's assets.

The Group intends to (i) maximise asset performance and value including through the sale over time of lower yielding assets and increasing the number of higher yielding assets; (ii) offer superior property management and facilities management services, including through its 60 per cent. owned subsidiary, Khidmah; (iii) improve the management of its assets generally; and (iv) pursue portfolio growth opportunities through acquiring new assets, developing its own assets and, where appropriate, selling existing assets.

In particular, the Group intends to focus on its retail portfolio to capture the increasing demand in this segment, particularly for retail facilities located within the Group's community developments. The Group's short-term focus is on the successful opening of Yas Mall, which is expected to have a significant direct impact on the Group's recurring income and the Group's surrounding hotels on Yas Island as well as positioning the Group in the super-regional malls sector. The Group's asset management business is described under "*—Business—Asset management*" below.

The Group intends to continue to maximise the value of its investment property portfolio, including through the sale of existing assets and investment in new assets where appropriate opportunities arise.

Real estate development

The Group holds and sources quality real estate at strategic locations within Abu Dhabi and seeks to (i) sell parts of the land to other developers for development in accordance with the Group's project master plan or (ii) develop all or part of the land itself and either selling completed properties or retaining properties it has developed. In addition, the Group plans and executes the development of National Housing and infrastructure projects on behalf of the Government, which may or may not be linked to projects which the Group is undertaking and for which the Group is either reimbursed the cost and paid a fee or paid a contractually agreed lump sum.

The Group's immediate focus is to complete its existing developments, including The Gate Towers, al rayyana and Yas Mall, and infrastructure for its masterplanned communities including Al Raha Beach and Shams Abu Dhabi, each as further described under "*—Business—Real estate development*" below.

The Group also intends to (i) continue to prudently launch new developments into the market; (ii) assure that new developments continue to benefit from attributes that make them attractive to purchasers, including ease of parking, and availability of additional amenities such as gyms, pools and community shops; and (iii) utilise its large land bank.

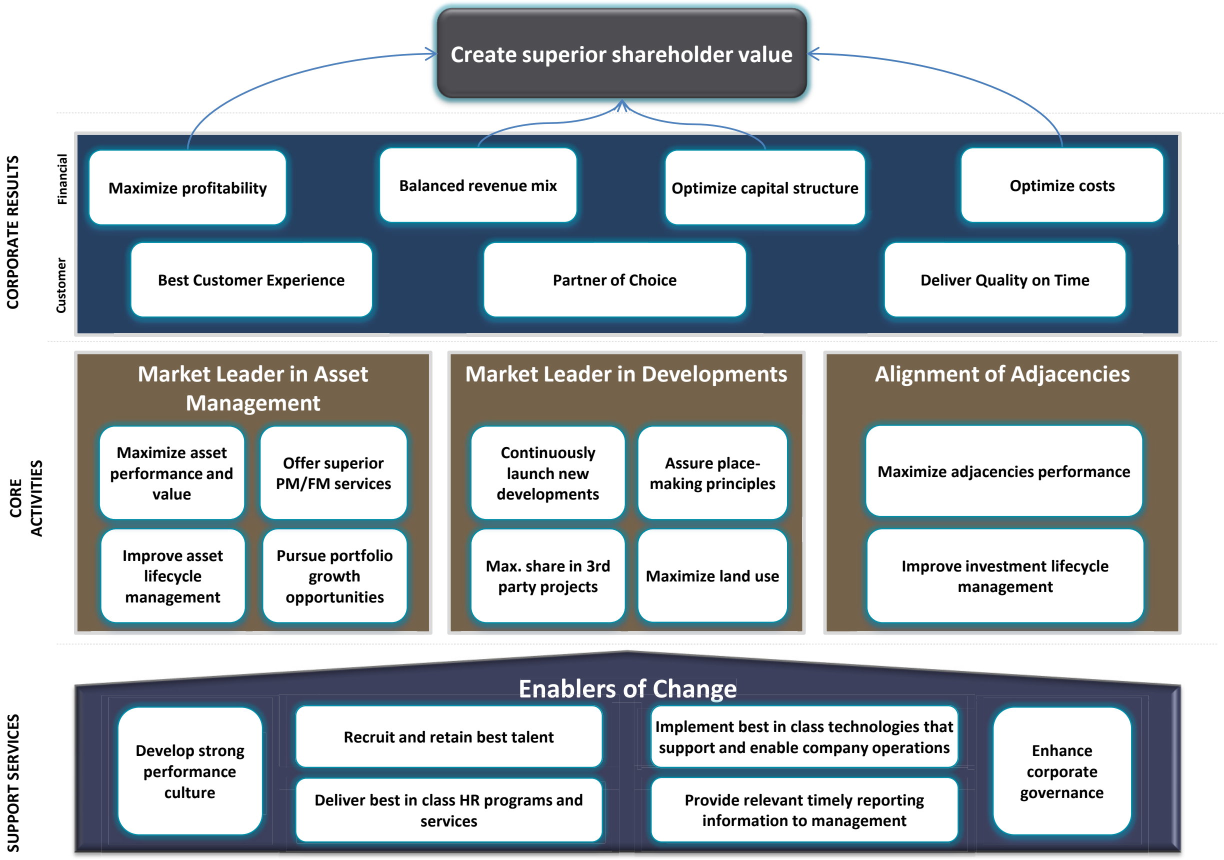
These development opportunities are primarily centred around residential clusters supported by a set of diverse asset classes; offices, retail, hotels and leisure, which together create communities where the customers will be able to experience quality design and infrastructure, with the right mix of amenities, attractions, superior property and facilities management services, all designed to maximise the value of the location.

The Group is also preparing a preliminary development strategy for a number of properties in its undeveloped land bank for approval by its Board, see "—*Land Bank*" below.

Adjacent businesses

The Group has conducted a review of its adjacent businesses with a view to identifying the core businesses on which it should focus and exiting the remaining businesses. The Group currently intends to focus on key adjacent businesses such as Aldar Academies, a schools operator providing high quality education services to the Group's communities and beyond, and Khidmah, a provider of property and facilities management services. Other adjacent businesses have been sold or otherwise exited and some are in the process of being exited.

The corporate strategy map below shows an overview of the Group's five-year strategic objectives.



BUSINESS

The Group's business is focused on three core activities:

- Asset management;
- Real estate development; and
- Adjacent businesses.

From a reporting perspective, the Group's business comprises seven reporting segments:

- **investment properties portfolio**: the Group develops and owns developed property to generate investment income, primarily from rentals;

- **hotels**: the Group develops and owns hotels, which are operated by third party operators under management agreements;
- **operative villages**: the Group develops and owns accommodation for contract labourers and service staff;
- **leisure**: the Group develops and operates leisure properties such as a golf course and a marina;
- **property development and sales**: the Group masterplans, develops and sells serviced land and completed properties;
- **schools**: the Group develops and operates schools; and
- **construction**: the Group contracts and constructs real estate developments, including through its 60 per cent. owned subsidiary, Pivot Engineering and General Contracting WLL ("**Pivot**").

The table below shows the revenue attributable to each reporting segment in the nine months ended 30 September 2013 as well as the assets attributable to each reporting segment at 30 September 2013.

	Nine months ended/as at 30 September 2013							
	Investment properties portfolio	Hotels	Property development and sales	Operative villages	Schools	Construction	Leisure	Group
	(AED millions)							
Segment revenue	609	317	2,720	172	123	92	21	4,055
Segment asset values.........	12,647	2,588	21,386	728	409	3,172	71	44,849(1)

Notes:

(1) Assets with a value of AED 3,847 million at 30 September 2013 were not allocated to any specific segment.

Asset management

The Group's management portfolio principally contains residential, commercial, retail assets and hotels, each of which is presented in more detail below. As at 30 September 2013, the Group owns a sizable inventory of residential units, commercial and retail space and hotels all of which are operated by the Group to generate recurring revenues. These recurring revenues are expected to substantially increase in the coming years with the completion of large developments such as Gate, al rayyana and Yas Mall. The following table summarises the assets owned by the Group as at 30 September 2013:

	Completed	Committed%*/ Occupancy%**	Under development	Total
Residential	2,092 units	78%	2,915 units	5,007 units
Commercial	180,000 sqm	83%	5,000 sqm	185,000 sqm
Retail	234,000 sqm	80%	250,000 sqm	484,000 sqm
Hotels	2,536 rooms	73%	—	2,536

* Leased and heads of terms agreed

** For hotels

Investment properties portfolio reporting segment

As part of its long-term business strategy, the Group holds and manages the leasing of selected assets within its property portfolio, enabling it to secure long-term revenue streams and to maximise long-term asset value. These assets comprise the Group's investment property portfolio.

In the UAE the market practice is to use short-form standard contracts for tenancies. The Group has adopted a standard lease contract which includes the following provisions:

- *Lease term*: this is typically a renewable one-year period for residential leases, renewable periods of two to three years for some bulk residential leases and for offices and renewable periods of between three and seven years for retail properties (five to 10 years for anchor tenants in retail malls), although there are limited exceptions in each case. In many of its residential developments, the Group's strategy is to seek to let a proportion of the development on bulk tenancies, which generally have longer terms but are lower yielding, with the balance being let on individually negotiated tenancies once an initial critical mass has been achieved. In its retail malls, the Group seeks to attract anchor tenants on generally longer term leases as this helps to attract other tenants.
- *Rent*: this is typically required to be paid on a periodic basis and in advance and includes a service charge amount.
- *Service charges*: service charges include the costs incurred in managing, cleaning, maintaining and repairing the leased property and any property in common use; costs of utilities; and other costs. These are typically paid by the landlord for residential assets and by tenants for commercial and retail assets, except in some leases where recoverable service charges from the tenant are also capped.
- *Promotion fund*: the tenant in certain retail malls and other similar premises may be obliged to pay for the promotion of premises and for special occasion and seasonal decorations.
- *Assignment, sub-letting and other transfers*: the tenant cannot assign, sublet, transfer or otherwise deal with the premises, without the prior written consent of the landlord.
- *Default provisions*: these include events of default for non-payment of rent by the tenant if this is not remedied within a defined period, breach of any other term of the lease by the tenant which is not remedied within a defined period and bankruptcy of the tenant. If an event of default occurs, the landlord may terminate the lease and re-let the property.

The investment property portfolio principally contains residential, commercial and retail assets, each of which are summarised below:

Residential

Excluding residential projects yet to be completed (that is, The Gate Towers and al rayyana, both of which are referred to below), the Group owns a total of 2,092 residential units in 13 separate developments as at 30 September 2013. At the same date, 78 per cent. of these units had been leased. The Group's major completed residential investment properties, all of which contain leisure facilities and key service retail outlets, include:

- **Sas Al Nakhl**: a high quality gated rental residential community comprising 588 modern villas of three, four and five bedrooms. The compound is situated at Abu Dhabi/Al Ain Road, about 10 minutes from Abu Dhabi International Airport. The development was completed in 2009 and is operated by the Group as leasehold until February 2028.
- **Al Raha Beach (Al Muneera, Al Zeina and Al Bandar)**: high quality residential communities at Al Raha Beach. The Group's investment portfolio has retained 384 units comprising mostly studio, one and two bedroom apartments. The developments were completed between 2009 and 2011.
- **Sun & Sky Towers**: form part of Shams Abu Dhabi, Sorouh's flagship development on Al Reem Island. The 74 storey Sky Tower consists of a mix of residential and commercial units, while the 65 storey Sun Tower is entirely residential. Sky Tower comprises a total of 474 residential units and Sun Tower comprises 680 residential units which consist of a mix of one, two, three and four bedroom units and six penthouse units. The Group's investment portfolio has retained 359 units. Surplus car parking spaces are available to buy or rent.
- **Al Murjan**: a 23 storey building with 252 residential apartments, retail outlets and office space located in the centre of Abu Dhabi Island. Al Murjan sits within a master planned development (Danet, Abu Dhabi) that will offer landscaped gardens and boulevards as well as cafés, restaurants and a five storey mall. As at 30 September 2013 all of the units are retained under the Group's investment portfolio.

- **Khalidiya Village**: a gated residential community in central Abu Dhabi comprising 150 modern villas of four, five and six bedrooms, located close to the Abu Dhabi Corniche. As of September 2013, all of the units are retained under the Group's investment portfolio as leasehold until September 2021.
- **Al Oyoun Village**: a residential gated community located on the outskirts of Al Ain, adjacent to Al Ain Sports Club, comprising 148 units of three, four, and five bedroom villas and two retail units. As of September 2013, all of the units are retained under the Group's investment portfolio as leasehold until July 2056.

The Group will shortly complete two significant residential developments to add to its residential portfolio:

- A high-rise development known as The Gate Towers, located at Shams Abu Dhabi on Reem Island. The development comprises three 65-storey towers capped with a penthouse bridge, and a 22-storey standalone building in the shape of an arc with a total of 3,533 residential units, including 21 penthouses and 16 townhouses and is expected to be completed and commence handover before the end of 2013. Including units sold to the Government as described under "*Business strengths—Strong and Strategic Government relationship—Significant Government financial support—Sorouh transaction on 21 January 2013*", the Group had sold 61 per cent. of the units at 30 September 2013. The remaining units have been added to the Group's investment property portfolio.
- A low-rise development of 33 buildings known as al rayyana, located adjacent to the Abu Dhabi National Golf Course, comprising 1,537 one, two and three bedroom apartments and a community centre including retail facilities and a mosque. This development, which is expected to be fully completed in December 2013, will be entirely retained in the Group's investment portfolio. The Group recently signed a 30 year lease for approximately 20 per cent. of the units with Defense Conseil International & Assistance, a French government related company. The tenant has begun occupying the units.

Commercial

The Group owns office space in five separate developments (including commercial space in mixed use developments) which it leases, principally on three to five year leases. Another building will be completed ready for leasing at the end of 2013. The gross leasable area of the existing portfolio as at 30 September 2013 was 180,000 square metres and, as at the same date, 83 per cent. of this commercial office space was leased. The Group's major commercial investment properties include:

- **The HQ Building** is an iconic circular building on the Al Raha Beach development. The building comprises 23 floors, or 48,000 square metres, of commercial office space. The tenant mix includes Government departments and other major companies such as Rolls Royce and ABB. There are four basement levels of car parking catering for 1,200 cars.
- **Al Mamoura A&B** are two buildings situated off the Muroor Road on the outskirts of downtown Abu Dhabi. The buildings are nine and 10 stories high and comprise 68,000 square metres of commercial office space. A significant percentage of the leases are long term with terms ending in 2022, while others are all five year leases with five year options. The buildings house the Executive Affairs Authority, the Urban Planning Council and Aldar's major shareholder, Mubadala, among other tenants. Aldar manages the property and has leasehold rights as per the Musataha agreement with the owners until 2022.
- **Baniyas Towers A&B** are two buildings situated in downtown Abu Dhabi close to the Abu Dhabi Municipality head office. The buildings are 11 stories high and comprise 42,000 square metres of commercial office space. Tower A is leased to the Department of Economic Development on a long term lease basis. Tower B is home to the Tawteen Council and the training centre for the Cleveland Clinic. The buildings have four levels of underground car park which is not situated directly under the buildings, but part of the complex and caters for approximately 1,000 cars.

Retail

The Group owns a total of 21 retail developments comprising malls, community retail developments, purpose built retail stores and an automotive centre with 119 car showrooms which it leases, principally under leases with terms ranging from three to 10 years. The gross leasable area completed and operating as at 30 September 2013 was 234,000 square metres and, as at the same date, 80 per cent. of the retail space was committed (leased and heads of terms agreed). In addition to the Yas Mall (under development) described below, the Group's major retail investment properties include:

- **Al Jimi Mall**, located in Al Ain, comprises 44,000 square metres of leasable space, and 1,280 car parking bays. The anchor tenants are Carrefour, Land Mark and Fun City. The property is a 75 year leasehold.
- **Boutik Al Ain**, is a recently completed mall comprising 47,000 square metres of leasable space and 1,200 parking bays. Carrefour, the anchor tenant, is already trading. The property is a leasehold until October 2058.
- **Boutik Shams** is a community mall located in the podium between Sun and Sky Towers on Reem Island, Abu Dhabi comprising 13,500 square metres of leasable space and dedicated parking. During 2014, the mall will be linked by bridge to Boutik Gate, a community mall located at the Gate Towers on Reem Island, Abu Dhabi comprising 12,000 square metres of leasable space with dedicated parking.

The Group is also developing Yas Mall, a super-regional mall with a gross leasable area of 233,000 square metres. As at 30 September 2013, 77 per cent. of the gross leaseable space in Yas Mall, which is expected to complete in 2014, had been pre-let or committed via heads of terms agreements.

When opened, Yas Mall will be the largest shopping mall in Abu Dhabi and the second largest shopping mall in the UAE, based on gross leasable area. As a super-regional mall, Yas Mall has been designed to be a destination shopping experience. The Group intends to create a tenant mix that reflects this and Yas Mall is also strategically located close to major leisure attractions such as the Formula 1 race track, the Ferrari World theme part and the Yas Waterworld park which are all expected to help attract significant customer footfall. The majority of the Group's hotels are also located near to the mall to benefit from, and attract non-resident customers to, the mall. As at 30 September 2013, the Group's anticipated capital expenditure to complete Yas Mall amounted to approximately AED1.2 billion.

Rent arrears

From time to time the Group experiences tenant defaults in payment of rent, although as rents are usually paid in advance these are relatively immaterial. The Group's policy in relation to late payments of rent is to follow up the missed payment with the tenant and, where appropriate and in a timely manner, to terminate the lease and re-let the property. Overdue rental amounts are recorded in the Group's balance sheet as trade receivables and are impaired if collection is judged to be doubtful.

Khidmah

Aldar owns a 60 per cent. share in Khidmah, a property and facilities management business which provides services for a significant part of the Group's investment property portfolio as well as to third parties. Khidmah's results are reported in the investment property reporting segment after elimination.

Hotels reporting segment

The Group owns nine hotels and hotel apartment buildings which are held under management with a total of 2,536 keys. The Group's hotels and hotel apartments comprise:

- *Yas Viceroy*: The Yas Viceroy is a five-star hotel operated by Viceroy Hotels and Resorts overlooking the Yas Marina circuit. It was completed in 2009 and has 499 rooms, 12 food and beverage outlets and 13 event venues
- *Yas Crowne Plaza*: The Yas Crowne Plaza is a four-star hotel operated by the Intercontinental Hotels Group and located at Yas Plaza next to the Yas Links Golf Course. It was completed in 2009 and has 428 rooms, five food and beverage outlets and six event venues.
- *Yas Radisson Blu*: Yas Radisson Blu is a four-star hotel operated by the Rezidor Group and located at Yas Plaza. It was completed in 2009 and has 397 rooms, four food and beverage outlets and seven event venues.
- *Yas Rotana*: Yas Rotana is a four-star hotel operated by Rotana and located at Yas Plaza. It was completed in 2009 and has 308 rooms, six food and beverage outlets and four event venues.
- *Yas Park Inn*: Yas Park Inn is a three-star hotel operated by the Rezidor Group and located at Yas Plaza. It was completed in 2009 and has 204 rooms, two food and beverage outlets and two event venues.

- *Yas Centro*: Yas Centro is a three-star hotel operated by Rotana and located at Yas Plaza. It was completed in 2009 and has 259 rooms, three food and beverage outlets and three event venues.
- *The Tilal Liwa Hotel*: The Tilal Liwa Hotel is a 111 room, four-star hotel located in Abu Dhabi's Western Region. The hotel was constructed in 2009 and is currently operated by a third party hotel operator under the Danat brand. The hotel has three food and beverage outlets, an outdoor pool and a full range of amenities.
- *Yas Staybridge Suites*: Yas Staybridge Suites comprises deluxe hotel apartments operated by the Intercontinental Hotels Group and is located at Yas Plaza next to Yas Links Golf Course. It was completed in 2009 and has 164 rooms and one food and beverage outlet.
- *Hala Arjaan*: Hala Arjaan comprises deluxe hotel apartments operated by Rotana and is located next to Abu Dhabi Marina & Yacht Club. It was completed in 2009 and has 166 rooms, three food and beverage outlets, and one event venue. Hala Arjaan is owned by a joint venture.

In respect of all of its hotels, the Group earns revenue from the provision of rooms to guests, from food and beverage provided and from a range of other services. In the case of Hala Arjaan, the Group only records its proportionate share of these revenues.

In the nine months to 30 September 2013, the average occupancy rates across the Group's portfolio was 73 per cent. The majority of the Group's hotels are in the three and four star category which the Group believes is a less saturated market segment in Abu Dhabi than the five star segment. The Group's five star hotel is located on Yas Island close to major tourist attractions and the proposed Yas Mall and principally seeks to attract high end tourists.

Operative villages reporting segment

The Group owns operative villages on Yas Island and Al Ain with a total of more than 27,000 beds. The operative villages consist of furnished accommodation and associated services, such as food and beverage, laundry and recreational activities. The accommodation is let, typically on a rate per bed per day basis, to contractors and other third parties with bulk accommodation needs for workers.

Real estate development

Property development and sales

The Group undertakes large-scale development projects either for its own account or for third parties, principally the Government. These projects include commercial office and residential property developments, retail developments, hotel and leisure facilities, infrastructure projects and schools. The Group generates income from its property development and sales activities principally through:

- selling units in completed developments or plots in existing master planned developments to third party developers; and
- managing property developments for third parties, principally Government and Government-related entities, on a fee basis.

Typically, the Group's marketing plan in relation to properties developed for sale will include advertising, branding and organising promotional events targeted at specific customers depending on the project. The Group has standard contracts covering the sale of development land and the sale of completed residential properties. Typically, the Group will receive an initial deposit from the purchaser of a completed property when the sales contract is signed with further payments being made in instalments during the construction period. Payment of the final instalment is required before the completed property is delivered. The Group seeks to ensure that any liability it may have to purchasers of its completed properties for defects in the properties is matched by appropriate contractual provisions in the contracts it enters into with its contractors.

From time to time the Group experiences purchaser defaults in instalment payments in respect of land sold, where the instalments have been recognised in its balance sheet as receivables. The Group's policy in relation to instalment defaults is to follow these up in a timely manner, negotiate, in certain instances, appropriate rescheduling terms for instalments, and failing any other remedies, implement the Group's rights, including termination rights, under the relevant contracted agreements. The Group is party to litigation in respect of certain plots in its Shams Abu Dhabi District development that were sold to developers. In these cases, the developers have failed to pay instalments of the purchase price and are seeking rescission of the relevant sale contract. The Group believes that the claims are without merit. Past due receivables are impaired if collection is judged to be doubtful. See further

"*Financial review—Certain significant statement of financial position items—Trade and other receivables*".

Aldar has been, and continues to be, involved in a significant number of development projects. These include:

- projects that have been fully or substantially sold (which are discussed under "*—Developments which have been fully or substantially sold*" below);
- completed projects that have been retained as investment properties (which are discussed under "*—Investment properties portfolio reporting segment*" above);
- other projects currently under development (which are discussed under "*—Developments in progress*" below); and
- projects which Aldar has constructed and is managing or is constructing on behalf of third parties (which are discussed under "*—Developments managed for third parties*" below and "*—Adjacent businesses—Construction reporting segment*" below).

Developments which have been fully or substantially sold

Seven of the Group's developments have been fully or substantially fully sold. Six of these developments are residential developments that were principally sold off plan at inception, with the purchase price being paid in instalments as the developments progressed. These developments generate cash flow as instalments are paid, with the final instalment (typically 30 per cent.) being paid when the property is handed over to the purchaser at completion, at which point the risks of ownership are transferred and the revenue and related costs are recognised in the income statement. The remaining development is a mixed retail and office development that was sold by the Group in 2008 to a 50 per cent. owned joint venture and has been leased by that joint venture on a 20-year lease. As a result, Aldar's income from this development is its proportionate share of any profit (or loss) recorded by the joint venture in each financial period.

The Group's completed residential developments (not including the National Housing developments) comprise 9,100 residential units. As at 30 September 2013, 7,000 units (equal to 77 per cent. of the total units) had been sold. These developments are:

- *Al Raha Gardens*: Al Raha Gardens comprises 1,407 residential villas located across the highway from Al Raha Beach. The development was completed in 2008 and all of the units had been sold as at 30 September 2013.
- *Al Bandar*: Al Bandar comprises 511 residential waterfront apartment units with associated retail, marina and community facilities. The development is located in Al Raha Beach East. The development was completed in 2010 and mostof the units had been sold as at 30 September 2013, while some have been kept under inventory for lease.
- *Al Muneera*: Al Muneera comprises 1,445 residential units located on the eastern side of Al Raha Beach. The development was completed in 2011 and includes a beach and comprehensive residential amenities. Most of the units in this development had been sold as at 30 September 2013, while some are held under the Group's investment property portfolio.
- *Al Zeina*: Al Zeina comprises 1,221 residential apartments, townhouses and villas. The development is located on the eastern side of Al Raha Beach and includes a beach and residential amenities. The development was completed in 2011 and most of the units had been sold as at 30 September 2013.
- *Golf Gardens*: Golf Gardens comprises a 395 villa gated residential community adjacent to the Abu Dhabi Golf Course. The development was completed in 2009 and almost all of the units had been sold as at 30 September 2013.
- *Sun & Sky Towers*: Sun & Sky Towers is a mixed-use twin tower development (with 65 and 74 storeys, respectively) located within Shams Abu Dhabi on Al Reem Island. The towers contain 1,154 residential units, of which 680 are in Sun Tower and 474 are in Sky Tower. The development was completed in 2011 and predominantly sold as at 30 September 2013.
- *Al Bateen Park:* Al Bateen Park comprises 359 residential apartments and villas located in the Bateen area of Abu Dhabi Island. The development was mostly pre-sold during the development period and was completed and handed over in early 2013.

Developments in progress

The Group acquires substantial tracts of land, carries out the development management planning, which includes building the infrastructure, and then either sells serviced land plots to sub-developers, develops the serviced land plots for sale or retention in its investment portfolio, or retains the serviced land for future sale or development. The Group currently has a number of these master planned developments under development, including:

- *Shams*: The Shams master development is located on Al Reem Island in Abu Dhabi and is a mixed-use development with a land area of 1.8 million square metres, comprising 119 sellable plots and 5.2 million square metres of gross floor area. The Group master planned and built the infrastructure within Shams and sells serviced plots to third party developers. As at 30 September 2013, 97 plots had been sold to sub-developers to develop in accordance with the Group's master plan. Three plots have been retained by the Group for its own development (for example, The Gate Towers (see "*—Asset management—Investment properties portfolio reporting segment—Residential*" above) and Sun & Sky Towers (see "*—Property development and sales—Developments which have been fully or substantially sold*" above) and 19 have been retained by it either for future development or sale (107,000 square metres). The Group has recognised sales revenue of AED 7.1 billion from these sales. Of this amount, AED 5.2 billion had been received at 30 September 2013 with the balance being recorded as receivables in its balance sheet. As at 30 September 2013, the Group had recognised provisions of AED 349 million in respect of these receivables. The final scheduled instalment of sales proceeds in respect of these plots is due to be paid in October 2015.

- *Saraya*: The Saraya master development is located at the eastern end of the Corniche in Abu Dhabi. It is a mixed-use development with a land area of 136,000 square metres, comprising 28 plots and 689,000 square metres of gross floor area. As at 30 September 2013, 21 of the plots had been sold to third party developers to develop in accordance with the Group's master plan and all have been fully paid for. Of the remaining seven plots (21,000 square metres), one is currently available for sale and six are currently occupied by the Corniche Hospital but will be available for sale once the hospital is relocated, which is expected to occur after 2015. Infrastructure for the development was completed in 2011 and has been partially taken over by the relevant authorities. The Saraya master plan includes modern offices, a hotel, serviced apartments, gardens, parks and leisure facilities.

- *Yas Island*: Yas Island is located near the airport and is the home of the Abu Dhabi Formula 1 Grand Prix. The area of the island is 2,800 hectares (28 million square metres) and the island is expected to house up to 100,000 people when fully developed. Completed developments include seven hotels, Yas Marina, Yas Links Golf Course, the Ferrari World and Yas Waterworld theme parks and two major retail stores, Ace Hardware and IKEA. Current projects under development include Yas Mall, a super regional mall, and Zone K, a 200 hectare residential precinct which includes 1,200 villas, two schools, three community retail centres and leisure facilities. Planned developments include a 200 hectare North Yas phase 1 mixed use residential development and Zone JA golf course apartments.

- *Al Raha Beach*: Al Raha Beach is a development covering 6.3 million square metres of land. The project is split into three precincts – East, Central and West. The East precinct comprises 2.65 million square metres of land and is the most developed, with the majority of the infrastructure competed and development commenced. The East Precinct is a mixed use medium density development, including completed developments such as Al Bandar, Al Muneera and Al Zeina. All but one of the plots have been sold and development activity is focused on closing the remaining infrastructure requirements and managing third party developers. Al Raha Beach Central is a separate parcel of land and is owned by a sub-developer. Al Raha Beach West comprises 3.7 million square metres of land area. The reclamation works are significantly completed.

Developments managed for third parties

The Group is currently managing six developments on properties that are owned by the Government or Government-owned entities. These developments include three Government-sponsored residential communities for UAE nationals ("**National Housing**") which the Group has masterplanned and is developing on a fee-based basis, with the revenue from these fees being recognised on a percentage of completion basis. These developments comprise:

- *World Trade Centre Abu Dhabi*: World Trade Centre Abu Dhabi (previously known as Central Market) comprises retail, business, residential and leisure facilities located on the site of Abu Dhabi's original souk. The development includes a residential tower with 88 floors, a commercial tower with 56 floors, a podium level mall, an arabic themed souk and a four star hotel. This development, scheduled to complete at the end of 2013, is operated by the Group under an agreement with the Government.

- *Masdar Institute of Science and Technology*: Masdar Institute of Science and Technology comprises three laboratory blocks, three residential blocks, office space, and a multipurpose hall with a swimming pool. The development is located in Masdar City and completion is expected to occur during the fourth quarter of 2013. This project is owned by Abu Dhabi Future Energy Company PJSC (Masdar), which is a wholly-owned subsidiary of Mubadala, and the Group is being paid a development management fee for its services which is recorded within the property development and sales reporting segment.

- *Al Falah*: Al Falah is a National Housing residential development comprising 4,857 villas for UAE nationals along with associated community facilities. The project is split into five villages along with a town centre that will be developed at a later stage. Aldar has completed substantial development of the three, four, and five bedroom villas with the remaining expected by the end of 2013. This project is owned by the Government and is being developed by Aldar.

- *Zone K*: Also known as "Yas Island Crescent", Zone K is a National Housing residential development of 1,020 villas and 226 plots with associated retail, educational and community facilities. Completion is expected to occur as follows: infrastructure: end of 2015; non-residential: during the fourth quarter of 2015; and residential: during the second quarter of 2017.

- *Abu Dhabi Plaza*: Abu Dhabi Plaza comprises retail, business residential and leisure facilities, located in Astana, Kazakhstan. Completion is expected to occur by the fourth quarter of 2016. This project was commissioned by the Government at a government to government level and the fee-based development services are being provided by Aldar. The fees paid in respect of these services are recorded within the property development and sales reporting segment.

The Group's current understanding is that the Government intends over time to build a substantial number of additional National Housing units and the Group expects to tender in relation to future announced National Housing developments.

Construction reporting segment

The Group's construction reporting segment comprises the on-balance sheet National Housing projects described below and the contracting and construction business of Pivot to the extent that it is undertaken for non-Group companies.

National Housing developments

The Group's National Housing developments are conducted in two different ways: either as a fee-based development, where the Group acts as masterplanner and development manager for a fee (see: "*Real estate development—Developments managed for third parties*" above) or on-balance sheet, where the Group contracts with the Government to plan and deliver units at an agreed price which is recognised as revenue on a percentage of completion basis. These units are funded by instalment payments from the Government which are generally made prior to expenditure being incurred by Aldar. The Group currently has three on-balance sheet National Housing developments under construction:

- *Watani*: Located near Abu Dhabi Golf Club, the Watani development is split into four phases, with construction of phases 1 and 2 expected to be completed before the end of 2013. Phases 3 and 4 are expected to commence in the first quarter of 2014 and to be completed in 2017.

- *Sila'a*: Located in the Western Region of Abu Dhabi, construction of the Sila'a development commenced in April 2011 and is expected to be completed before the end of 2013.

- *Ghuraibah*: Located in Al Ain, construction of the Ghuraibah development is being undertaken in two phases. Phase 1 is expected to be completed before the end of 2013. Construction of phase 2 is expected to commence before the end of 2013, with completion expected in the second quarter of 2015.

Pivot

Pivot was incorporated with limited liability in 1987. In July 2008, Sorouh acquired 60 per cent. of Pivot's shares. Pivot is a fully integrated provider of construction engineering and general contracting services in the Middle East. Pivot provides construction services to Group companies as well as to third parties.

Adjacent businesses

The Group's adjacent businesses comprise Khidmah (see "—*Investment property portfolio—Khidmah*"), Pivot (see "—*Construction reporting segment—Pivot*" above) and Aldar Academies, Yas Links Golf Course and Al Bandar Marina as described in relation to the schools and leisure reporting segments below.

Schools reporting segment

Aldar Academies LLC, a wholly-owned subsidiary of Aldar, owns and operates six schools:

- *Yasmina School*: Yasmina School opened in 2008 and operates a British curriculum from kindergarten through grade 13. It has capacity for 1,800 students per year.
- *Pearl Primary School*: Pearl Primary School opened in 2007 and operates a British curriculum from kindergarten through grade 6. It has capacity for 675 students per year.
- *Al Muna Primary School*: Al Muna Primary School opened in 2009 and operates a British curriculum from kindergarten through grade 6. It has capacity for 600 students per year.
- *Al Bateen Secondary School*: Al Bateen Secondary School opened in 2011 and operates a British curriculum from grade 7 through grade 13 and the IB Diploma in grades 12 and 13. It has capacity for 1,200 students per year.
- *Al Mushrif School*: Al Mushrif School opened in 2011 and operates a British curriculum from kindergarten through grade 6. The school is currently located within the Al Bateen School site with current allocated capacity of 525 students per year. The school is expected to be re-located to a new site in 2015, at which point the estimated capacity will be 1,760 students per year.
- *Al Ain International School*: Al Ain International School opened in 2011 initially as a primary school with a British curriculum. It is now operating from kindergarten through grade 13 and has a total capacity for 1,000 students per year.

The Group earns revenue from its schools principally through the tuition fees charged to students. The overall utilisation rate (being total student enrolments as a percentage of total available places) was approximately 75 per cent. in the third quarter of 2013.

Leisure reporting segment

The Group owns and manages two principal leisure facilities:

- Yas Links Golf Course: The Yas Links Golf Course comprises an 18 hole championship links golf course, a 9 hole floodlit par 3 course, a golf academy, a practice facility and a clubhouse.
- Al Bandar Marina: The Al Bandar Marina is located in Al Bandar and comprises 131 berths accommodating 9 metre to 24 metre yachts.

LAND BANK

The Group owns one of the largest land banks in the region, with the undeveloped land in the land bank amounting to over 77 million square metres, 90 per cent. of which is located in investment zones, which allows GCC nationals or entities wholly owned by them to own freehold and non-GCC nationals to purchase musataha or usufruct interests. Much of the land bank has been acquired through gift or low cost purchase. The major components of the land bank which are available for future development are as follows:

- **Yas Island**: Approximately 7.2 million square metres of freehold plot area on Yas Island is available for mixed use development. Substantial parts of Yas Island have already been developed or are under development by the Group, with completed projects including a water park, the Ferrari World theme park, a Formula 1 race track and a marina (which are all owned by the Government) as well as hotels, a golf course and on-going projects including residential and retail developments, all of which are owned by the Group.

- **Al Raha Beach**: Approximately 3.7 million square metres of freehold plot area is available for mixed use development at Al Raha Beach. Substantial parts of Al Raha Beach have already been developed or are under development by the Group, principally for residential use.
- **Motor World** (Phase 2): Motor World (Phase 2) is a 2.7 million square metre freehold plot area which is available for mixed use development. The Group has completed the development of phase 1 of Motor World, which is an automotive centre including 119 car showrooms.
- **Al Falah Town Centre**: Al Falah Town Centre is a 2.2 million square metre freehold plot area which is available for mixed use development. The Group is currently undertaking a single National Housing development at Al Falah on behalf of the Government, see "*—Business—Property development and sales—Projects managed for third parties*".
- **Nareel Island**: Nareel Island is a 713,259 square metre freehold plot area which is available for residential development.
- **Al Gurm** (Phase 2): Al Gurm (Phase 2) is a 710,271 square metre freehold plot area which is available for residential development. The first phase of Al Gurm, which was a residential development, was completed in October 2010.
- **Al Merief**: Al Merief is a 690,894 square metre freehold plot area which is available for mixed use development.
- **Sheibat Al Watah**: Sheibat Al Watah is a 476,928 square metre leasehold plot area which is available for a district centre development.
- **Shabhat**: Shabhat is a 253,749 square metre freehold plot area for mixed use.
- **Eastern Mangrove**: Eastern Mangrove is a 219,459 square metre freehold plot area which is available for residential development.
- **Noor Al Ain**: Noor Al Ain is a 86,800 square metre leasehold plot area which is available for retail development.
- **Capital District**: Capital District is a 51,022 square metre freehold plot area which is available for mixed use development.
- **Al Mutarad**: Al Mutarad is a 24,975 square metre freehold plot area which is available for a hotel development.
- **Seih Sdeirah**: Seih Sdeirah is a 52.2 million square metre freehold plot which is available for mixed use development. A Group associated company is involved in a residential development on land adjacent to this site, for which the group is the appointed development manager "*—Business—Real estate development—Developments in progress*".
- **Lulu Island**: Lulu Island is a 5.0 million square metre freehold island which is available for mixed use development jointly with Mubadala. Lulu Island is 60 per cent. owned by the Group with the balance being joint owned by Mubadala.
- **Al Mashtal**: Al Mashtal is a 140,396 square metre freehold plot which is available for mixed use development.
- **Shams Abu Dhabi**: Shams Abu Dhabi is a master-planned mixed use development comprising 1.8 million square metres of freehold land, of which the Group has sold 97 plots, developed three plots and retains 19 plots, totalling 107,000 square metres of land area, in inventory for future development. See "*—Business—Real estate development—Developments in progress*" above.
- **Saraya**: Saraya is a master-planned mixed use development comprising 136,000 square metres of land sub-divided into 28 plots, of which the Group has sold 21 plots and retains seven plots, totalling 21,000 square metres of land area, in inventory for future development. See "*—Business—Real estate development—Developments in progress*" above.
- **Al Naqlah**: Al Naqlah is a 520,000 square metre freehold plot which is available for mixed use development.
- **Al Ajban**: Al Ajban is a 27,878 square metre freehold plot which is expected to be used as a nursery plot on which to grow trees that will be transplanted to developments.

The Group is currently preparing a generic development plan in relation to a number of the properties described above which it considers to be suitable for development in terms of location and market demand. This plan is currently at a preliminary stage and is subject to future revision. The intention is that the plan will be approved by the Board and as and when the Group considers that conditions are optimal for developing individual properties, a more detailed development plan in respect of those properties will be submitted to the Board for approval in accordance with the Group's investment control process, see "—*Investment control process*" below.

GROUP STRUCTURE

Certain of Aldar's subsidiaries are engaged in specific developments being undertaken by the Group and certain other subsidiaries have been established to run other operating businesses. Aldar's investments in associated companies and joint ventures are typically made to form an alliance with one or more strategic partners. In a number of cases, the Group's principal reason for entering into the alliance was to mitigate the risk of construction and supply costs and the risk of other cost escalations in respect of its projects. The Group also aims to benefit from each joint venture or investment by gaining access to the human capital and skill sets present in its chosen partners and has exited a number of joint ventures where the original rationale for establishing the venture is no longer considered strategic.

INVESTMENT CONTROL PROCESS

The Group's investment control process ("**ICP**") is an organisation-wide integrated and cross functional governance process designed to manage investments from inception to ultimate disposal. These standardised investment management protocols and procedures guide the Board of Directors (the "**Board**") in taking prudent and informed investment decisions.

The fundamentals of the Group's ICP are based on standardising the application of approval criteria for investments through consistency in tools (such as investment plans), process (which include predefined stages and gateways that all investments follow) and performance management (through coherence in financial reporting, progress reporting and key performance indicator tracking).

The main benefits to the Group of its ICP include:

Financial

- efficient allocation of capital in line with corporate strategy; and
- improved cost control.

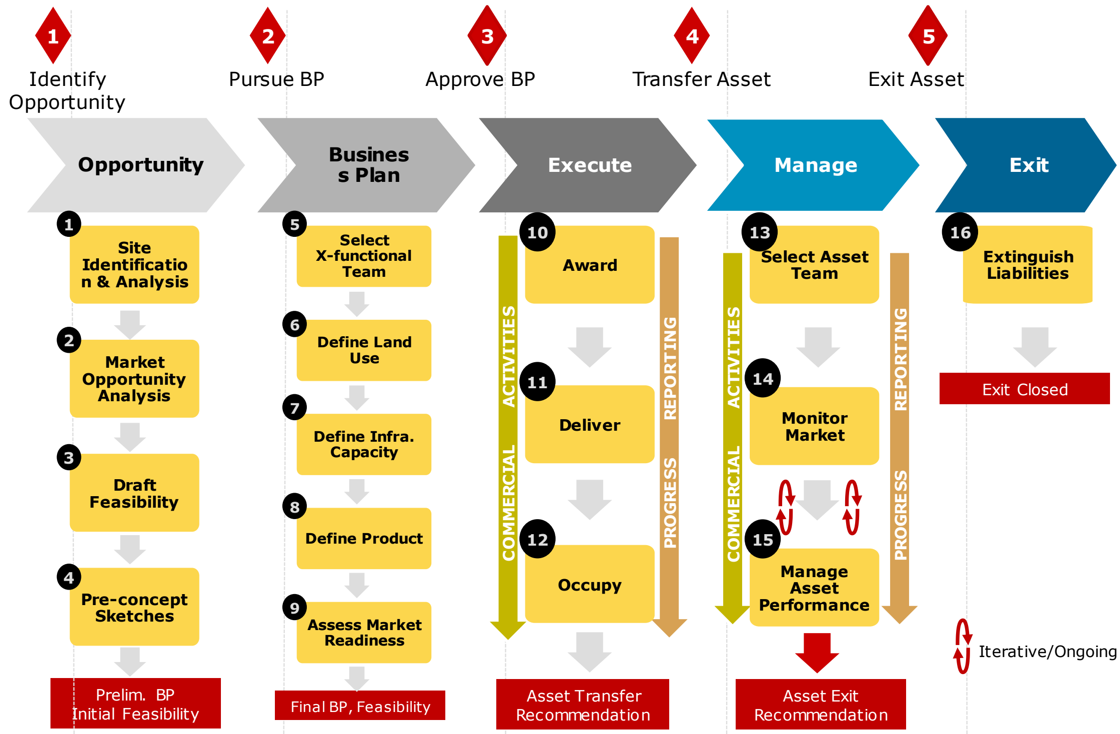
Organisational

- better alignment with corporate strategy and defined accountability; and
- improved visibility into sources of inefficiency.

Operational

- comprehensive and accurate investment plans;
- early identification of root causes of deviation from investment plan and mitigation; and
- effective decision-making and less re-working.

The diagram below illustrates the stages and gateways of the Group's ICP:



The ICP process is governed by three main principles:

- taking go/no-go decisions at the start and end of each gateway;
- following a staged approach to the process; and
- delivering an output at the end of each stage to pass the relevant gateway.

The decision that initiates the process is the identification of an opportunity in line with the Group's corporate strategy. The corporate strategy dictates the Group's target markets and products with the optimal mix (for example, of residential, retail, commercial, hotel and other units) mapped against develop-to-hold and develop-to-sell investments with minimum target returns for each. The Group's internal knowledge base, gathered through years of experience, plays a pivotal role in deciding whether to pursue an identified opportunity or not. These are complemented by market research (including internal research) and input from internal stakeholders who have insight into the relevant market dynamics.

Once a decision by senior management has been taken to pursue an opportunity, identifying a site and analysing its best use together with market needs analysis form the core of the Opportunity stage identified in the chart above. A site constraint report and an opportunity constraints and recommendation report are prepared and approved followed by a draft feasibility study that includes investment type, size, optimal debt to equity mix for the investment, estimated timeframe, target rates of return in line with the corporate strategy and a recommendation as regards develop-to-hold and develop-to-sell aspects and price points. Together with pre-concept sketches, site reports and market reports, a preliminary business plan is prepared for consideration as to whether a more detailed business plan should be pursued.

At the Business Plan stage, a cross-functional development team is identified which includes core functions such as operations (procurement, project directors/managers, controls), commercial (sales/ leasing), asset management (if the investment includes a develop-to-hold aspect) and others, including finance and legal. Once the team has been created, land use is defined through a concept master plan, which is later transformed into a detailed master plan when defining infrastructure capacity. Subsequently a concept design document and a schematic design document define the product in more detail which, along with a detailed project execution plan, a commercial activity plan, the financing strategy, legal considerations, risk management and a Strengths, Weaknesses, Opportunities and Threats ("**SWOT**") analysis, form the detailed business plan for the investment. After due diligence and refinement, the investment plan is presented to senior management and/or the Board for approval in accordance with the Group's delegation of authority and decision making framework.

Upon passing the business plan approval gateway, the investment enters one of the longest stages of the ICP lifecycle, the Execution stage. At this stage, the investment is also added to the ICP performance management framework which is governed by ICP monthly management meetings, standardised financial and progress reports and key performance indicator (KPI) tracking. These standardised tools steer the investment through the Execution stage within the approved thresholds of the business plan. The Execution stage contains three phases, as follows:

- Award: this broadly covers the award of relevant contracts by tender.
- Deliver: this comprises the execution of the contracts awarded, the commencement of sales and/or leasing activity in line with the commercial plan and access to funding. The business plan, along with detailed reports and design documents, remains the guide document for the contractor, while sales and leasing activities are conducted in line with the commercial plan. As a general principle the committing of capital expenditure is dependent on defined pre-sales and/or pre-lease thresholds, which are set out during the business planning phase and which can vary from investment to investment. Nonetheless, during the time a project is being executed, ICP tools such as progress reports and KPI tracking play an important role in highlighting any variations from the approved plan, which are re-assessed and re-analysed based on changing market conditions and, as required, escalated to senior management for approval.
- Occupy: once the project is delivered in line with the business plan, it enters the Occupy phase during which handover activities are initiated, final instalments are collected from customers, snagging is dealt with, fit-outs are conducted by tenants and tenants and owners move in. If the asset is a build-to-hold investment, it must go through another gateway which involves the transfer of the investment to the Asset Management team.

Once the investment is transferred to the Asset Management team for management and an asset manager is assigned under the relevant portfolio team, it enters the operating cycle of the investment, which is governed by the asset management plan (a subset of the initial business plan). During this stage, the asset manager manages the service providers, including commercial (for sales and leasing activities) and facilities manager (for operating the investment), and periodically reports on asset and portfolio performance through the ICP monthly progress reports. The asset manager continuously monitors the market as an iterative process with a view to maximising investment returns and asset value. Appropriate decisions on capital planning, risk management, facilities management, tenant rotation, lease rates and the sale of sub units of investment (for example, residential units) are escalated to senior management when necessary.

If at any stage an exit opportunity arises that maximises investment return, the investment passes into the last stage, which is the Exit Stage. At this stage, management is presented with investment returns with or without exit and, once agreed, the investment goes through the winding down process which includes extinguishing liabilities, exiting contracts with third parties on leases, closing out statutory obligations and asset disposition, as appropriate.

DESIGN AND CONSTRUCTION

The Group enters into a variety of design, construction and supply contracts for the purposes of the delivery of its projects from inception to final completion and handover. In respect of any particular development project, the Group's Operations Department prepares and implements an integrated development plan, procurement and project delivery strategy.

The Operations Department has in-house capabilities with dedicated teams of directors, senior engineers and support staff comprising the following divisions and subdivisions:

- procurement;
- design and infrastructure;
- project management and execution;
- project controls;
- contracts and claims administration; and

- safety, health and environment.

An Operations Management Plan provides direction and guidance on measures to improve efficiency by adopting sound operational practices, optimising use of resources and reducing costs and wastage. The Operations Department is responsible for achieving the expectations and strategic objectives of the Group, completing the Group's on-going development projects, and mobilising resources for pipeline projects.

The Operations Department executes all phases of project delivery and is responsible for allocating resources for designs, project management and project execution. The department utilises the services of external** consultants, contractors and sub-contractors to perform these functions within the constraints of scope, quality, schedule and budget. The department also ensures implementation of appropriate risk strategies and communication protocols and monitors the performance of its staff against defined key performance indicators.

Procurement policy

The Group either conducts an in-house procurement process by inviting tenders from prequalified bidders or negotiates with a selected counterparty with whom it has a working history when appointing contractors and suppliers. The Group adopts a transparent policy whereby the standard terms and conditions are disclosed in the request for proposal document issued to all contending bidders. Group companies are also party to existing joint ventures with contractors, and may enter into further joint ventures in the future. The types of development contract entered into by the Group include:

- Group owned developments;
- third party developments;
- Government owned/funded developments (Fee-based or cost plus or lump-sum contracts); and
- international contracts.

Payments policy

The Group generally makes progress payments to its contractors. Contractors issue a progress payment certificate ("**PPC**") along with an invoice on completion of each completed stage of work under the contract. The PPC and invoice are certified and approved by an external management consultant and the project director. Typically, 10 per cent. from each progress payment is deducted as a retention.

Final payment, including the retention, is only made to contractors after:

- the contractor's notification of completion is received and verified;
- the completion of final inspection by the Group's consultants and project directors to establish completion;
- a taking over certificate ("**TOC**") is issued, which allows some issues to be addressed and incomplete works to be carried out later within a defined time limit, and a defects liability certificate or a performance certificate ("**DLC/PC**") is issued, which confirms a contractor's responsibility for defects identified within a defined period; and
- payment is approved by an external management consultant, the project director and by the executive management.

The final retention amount due is typically paid by the Group within a specified contractual period after the issuance of the TOC and DLC/PC.

The terms and conditions of the contracts used by the Group are generally based on the internationally recognised FIDIC (The International Federation of Consulting Engineers) forms of contract, although the Group also uses bespoke contracts, depending on the nature of the works under construction. The FIDIC forms are amended to take into account local law and conditions and project specific requirements.

The principal operative terms and conditions in all the contracts generally include:

- a full description of the scope of works to be carried out and employer's requirements/project brief as well as procedures for variation of the works;
- accepted contract amount, contract price and currency of payment;

- the obligations and liabilities of the contracting parties and a performance bond to secure satisfactory completion of the works;
- general risk allocation clauses including unforeseen physical conditions and change of law;
- any design responsibility;
- a fully priced bill of quantities and other technical documents including drawings, technical specifications, health and safety and quality control requirements; and
- the timelines within which the works are to be completed.

Other, more standard, provisions include clauses covering indemnification, insurance and liquidated and ascertained damages for failure to meet the delivery deadlines; the procedures and time periods for progressive payments certified by the engineer-on-record; an advance to be set off against future certified payments as well as retentions against certified payments; provisions relating to suspension, termination and force majeure; clauses covering completion, testing, commissioning and handover and governing law and dispute resolution provisions.

The Group focuses on ensuring timely and complete performance by its contractors and other suppliers and seeks to ensure that it meets its payment and other obligations to these third parties in accordance with the terms of its contracts.

COMPETITION

The Group is the largest listed real estate company in Abu Dhabi in terms of total assets and number of developments. Competition from other Abu Dhabi-based property developers (which are the developers most active in Abu Dhabi) may affect the Group's ability to sell development land or completed properties at expected prices as well as its ability to attract or retain tenants. These property developers include:

- **Tourism Development and Investment Company (TDIC**), which is wholly-owned by the Government and was established in 2006. TDIC's developments focus on tourist attractions including some of Abu Dhabi's most prestigious projects on Saadiyat Island, where one of the world's largest single concentration of cultural institutions will reside once the projects are completed.
- **Reem Developers**, which is a wholly-owned subsidiary of Reem Investments and was established in May 2005. Reem Developers is a private company and is financed by prominent UAE-based institutions and private investors. Reem Developers is the master developer of key projects that are currently under development, such as Najmat and Mayran on Reem Island and Rawdhat Abu Dhabi.
- **Miral**, which was established in June 2011 by the Executive Affairs Authority of Abu Dhabi. Miral provides development and asset management services to key Government-owned assets in Abu Dhabi. Its primary focus is on Yas Island as it manages key Government-owned assets such as the Ferrari World theme park and Yas Marina. In addition, Miral also owns a large land bank located on Yas Island that is designated for new developments. This land was sold to the Government by Aldar as part of previous sale agreements.
- **Al Qudra Holding**, which, together with its group companies, invests in various sectors of the property industry including infrastructure, industrial, real estate, financial investments and services. Al Qudra Real Estate was established in May 2005.
- **Manazel**, which is a real estate developer based in Abu Dhabi. Its main developments include Al Reef Downtown and Al Reef Villas. Manazel is also the developer of Amman Gardens, a residential community in Al Jizah in the Kingdom of Jordan. Its overall portfolio includes residential communities, retail malls and district cooling.
- **Bloom Properties**, which was launched in 2008 as the development arm of National Holding, which was established in 1999. Bloom's first development is a residential development called Bloom Gardens, located on the Eastern Corniche in Abu Dhabi. Bloom has also partnered with Brighton College to establish a school in Abu Dhabi.
- **Tamouh**, which was launched in 2007 and is the primary master developer of Marina Square, City of Lights, and the Royal Group Headquarters.

ENVIRONMENT, HEALTH AND SAFETY

The Group and its subsidiaries are committed to the continuous improvement of Environmental, Health and Safety ("**EHS**") performance. The Group aims to meet or, where reasonably practicable, exceed applicable EHS laws and regulations, and to facilitate full and open discussion to address responsible standards and practices where laws and regulations do not exist. Accordingly, the Group has adopted an EHS Policy as a standard by which the Group, its business units and employees are continually measured.

The policy incorporates the following goals:

Operations

- integrate EHS stewardship into the Group's core business activities;
- instil EHS considerations as a core component in the planning, design and construction of new and expanding facilities;
- integrate physical risk management into the Group's business and decision processes; and
- establish a system for employee involvement in EHS processes and a means to measure that participation.

Communications

- promote EHS awareness among all who work on the Group's behalf and in the communities where the Group operates;
- provide EHS training for employees and promote awareness with stakeholders and the wider community; and
- cooperate and coordinate with local, state and federal authorities and other stakeholders on EHS matters and incidents.

Evaluation

- incorporate critical EHS key performance indicators into the Group's management reporting systems and include the achievement of high EHS standards as a component of the employee performance review process;
- perform EHS process assessments and independent compliance audits at a frequency appropriate to the size and nature of the operations, and implement corrective action where required;
- perform evaluations of incidents through formal investigation including the identification of immediate and underlying root causes, and corrective measures to prevent reoccurrence;
- the leadership of each business unit is responsible for implementing an EHS management system with appropriate standards and procedures to carry out this policy; and
- each employee is responsible for compliance with this policy and for implementing it within his or her area of responsibility.

The Abu Dhabi Municipality ("**ADM**") is the body responsible for overseeing health and safety on construction sites and compliance with environmental regulations. The Group has its own EHS management system which has been approved by the ADM. The Group conducts rigorous in-house audit and inspection programmes with the aim of maintaining zero breaches of applicable regulations.

The ADM's site safety inspectors have the legal right to enter any Group project site at any time and can issue either a prohibition notice or an improvement notice to any contractor who fails to comply with the ADM Health and Safety Codes of Practice. A prohibition notice requires that the contractors immediately cease work on the site. Contravening a prohibition notice results in a fine for each day that the notice is contravened. If an improvement notice is given to a contractor, the contractor will have 28 days (or less if so notified) to rectify the violation indicated in the notice and, if no action is taken within this period, financial penalties will follow.

The Abu Dhabi Environmental Agency approves all environmental permits, carries out environmental impact assessments and reviews construction environmental management plans. The Group aims to develop its properties in a way that provides for the long term sustainability of the environment and is committed to compliance with all relevant environmental regulations.

The Group undertakes an environmental impact study for each project and each project has an environmental consultant who ensures that the relevant rules of the Abu Dhabi Environmental

Agency are complied with (for example, not using prohibited materials). The Group hires an environmental assessment group for this process which looks at the specific environment of each project in question. The contractor in charge of construction of the project obtains all permits required from Government authorities and manages the permit process. The ADM inspects the Group's project sites regularly for breach of environmental permits and to check on-going compliance.

INSURANCE

The Group pursues a risk based approach to devise and implement its insurance strategy. The insurance strategy for major developments at Aldar primarily uses umbrella construction all risk and related third party liability insurances commonly referred as owner-controlled insurance programmes ("**OCIP**"). These tailor made policies provide clarity of risk as coverage, exclusions and warranties are fully known upfront and are matched to the individual risk profile of each relevant development. A uniform umbrella cover ensures better control of risk by eliminating the chances of any gaps in insurance and reducing the probability of any duplication. Aldar also places insurance obligations on contractors for construction insurance (i.e. outside of an OCIP) for certain projects of modest size. Going forward Aldar will utilise both OCIPs and outsource insurance to contractors, based on which option offers the best terms to Aldar.

The Group protects against contractor risk by requiring contractors to purchase their own plant and equipment, marine cargo, motor vehicle, workers compensation/employer's liability and professional indemnity insurance for an adequate indemnity level considering the risk profile of the particular assignment. Waiver of subrogation, where applicable, is part of the standard agreement clauses. A principal's interest clause is also inserted in these contracts to ensure that the Group is notified of any cancellation or material modification of the cover. Certificates and, when required, insurance policies are validated at inception and at each renewal.

Insurance cover is carefully reviewed as developments move from construction to operational phase, to reduce duplication and mitigate any gaps in insurance. The Group's main corporate property all risk insurance programme covering reinstatement of operational assets and indemnity for losses arising due to machinery break down and business interruption is tailored to suit the Group's requirements. Premium rates reflect the Group's standing in the market as a major developer with low loss ratios emanating from high safety standards for operational assets and high construction quality of developments.

The Group also has in place third party liability policies with indemnity appropriate to its activities, as well as fraud protector, director and officers' liability and marina policies. The Group carefully selects its insurance and reinsurance partners for its insurance programmes. The Group also relies on professional services of reputable international insurance brokers for advising on insurance matters and brokering.

INTELLECTUAL PROPERTY

The Group has registered in the UAE or applied for the registration in the UAE to protect all names and logos used by the Group and intends to register the intellectual property for any future projects and businesses as they are established on the same basis.

INFORMATION TECHNOLOGY

The Group seeks to ensure that its information technology ("**IT**") systems and software meet the requirements of its business, are effectively maintained and are kept up to date. As part of the Merger, a number of integration initiatives, including enterprise resource planning ("**ERP**") integration, the consolidation of IT datacentres, domain and email platform integration, storage consolidation, IP telephony integration, server virtualisation and the integration of certain business applications, have been implemented.

The Group has invested in advanced hardware and network infrastructure with two main data centres and all offices are connected through a high capacity secure multiprotocol label switching network.

The Group has in place a disaster recovery system which includes a disaster recovery data centre that accommodates most business critical systems, including ERP, file server, email system, document control, intranet, email archiving system and other SQL databases.

LITIGATION

From time to time the Group becomes involved in legal proceedings in the course of its business activities. Certain of these proceedings may involve amounts claimed against the Group which are material.

In particular, a claim has been made against Aldar by a contractor by way of arbitration proceedings commenced in respect of a contract for the construction of certain infrastructure works Aldar sub-contracted to that contractor and involving a disputed amount of AED 262 million. Aldar intends to defend this claim vigorously and to file a counterclaim.

Aldar is also defending a customer claim through arbitration proceedings for the termination of a musataha relating to plots of land on Reem Island and involving total amounts of AED 214 million, as well as certain amounts claimed by Aldar which are still to be quantified, and arbitration proceedings in relation to an initial claim brought by Aldar for specific performance in respect of the sale of a plot of land by Aldar involving an unpaid amount of AED 67 million and related late penalty charges. Aldar has obtained legal advice in relation to these claims that the position of both customers is without merit and is pursuing these matters vigorously.

Aldar does not believe that any of this litigation is likely to have a significant effect on the financial position or profitability of the Group.

MANAGEMENT AND EMPLOYEES

BOARD

The Board is responsible for providing strategic guidance for the Group and effective oversight of its management and operations. It also oversees the adequacy and effectiveness of corporate governance and internal controls and approves the Group's budget and its quarterly and annual financial statements. The Board delegates certain responsibilities to committees as described below and the executive management team through delegations of authority that define limits and parameters. The Board meets at least every second month and more frequently if required.

The name and title of each member of Aldar's Board is set out in the table below:

Name	Title
H.E. Abubaker Seddiq Al Khoori	Chairman
H.E. Ali Eid Al Mheiri	Vice Chairman
H.E. Mubarak Matar Al Humairi	Director
H.E. Dr. Sultan Ahmed Al Jaber	Director
H.E. Ali Majid Al Mansouri	Director
Ali Saeed Abdulla Sulayem Al Falasi	Director
Mansour Mohamed Al Mulla	Director
Ahmed Khalifa Mohamed Al Mehairi	Director
Mohammed Haji Al Khoori	Director
Martin Lee Edelman	Director

Brief biographical details of each member of the Board are set out below:

Chairman

H.E. Abubaker Seddiq Al Khoori

Mr. Al Khoori, a UAE national, is the former Managing Director of Sorouh. He has more than 13 years of experience in the fields of finance and international investment through private equity and direct transactions. Prior to joining Sorouh, Mr. Al Khoori worked as the Assistant Director of the Abu Dhabi Investment Authority.

Mr. Al Khoori is a senior board member of many government entities responsible for a significant element of the Abu Dhabi Government's policy implementation including, the Vice Chairman of General Holding Corporation-Senaat and Al Waha Capital PJSC. He is also a board member of Abu Dhabi Chamber of Commerce & Industry, Abu Dhabi Pension Fund, Khalifa Fund, Abu Dhabi Airports Company and Abu Dhabi Ports Company.

Mr. Al Khoori holds a Bachelor Degree in Finance from Linfield College in McMinnville, Oregon, USA. He is a certified Chartered Financial Analyst (CFA) and a member of the Association for Investment Management and Research. In 2001, he completed the Executive Business Program at the Harvard Business School.

Vice Chairman

H.E. Ali Eid Al Mheiri

Mr. Ali Eid Al Mheiri, a UAE national, is the Executive Director of Mubadala Real Estate and Infrastructure, a business unit of Mubadala Development Company, where he is responsible for all of Mubadala's real estate and infrastructure investment activities including strategic investments on behalf of the Government such as Al Maryah Island. He is the Chairman of Abu Dhabi Finance Company PJSC, Emirates Ship Investment Company LLC and Khadamat Facilities Management LLC. He is also on the Boards of Al Hikma Development Company PJSC and Abu Dhabi Health Services Company PJSC. Mr. Al Mheiri holds an MBA in Finance and BSc in Accountancy from the American University, Washington DC, USA.

Directors

H.E. Mubarak Matar Al Humairi

Mr. Al Humairi, a UAE national, worked during 1991 to 2004 in the Private Office of His Highness the Late Sheikh Zayed bin Sultan Al Nahyan as the Head of Investments. He is the Chairman of Royal Capital PSC and Vice Chairman of the National Investment Corporation. He has extensive experience in the field of international and local investments, including the management of various investment portfolios. In addition, Mr. Al Humairi has wide experience in the banking and financial services sector.

H.E. Dr. Sultan Ahmed Al Jaber

Dr. Al Jaber, a UAE national, is the Chief Executive Officer and Managing Director of the Abu Dhabi Future Energy Company (Masdar). Dr. Al Jaber is the Chairman of the Abu Dhabi Ports Company, Abu Dhabi Media Investment Corporation and Sky News Arabia, and serves on the boards of the Advanced Technology Investment Company LLC and Zones Corp. Since March 2013, Dr. Al Jaber has been a Minister of State in the UAE cabinet. He also serves as UAE Special Envoy for Energy and Climate Change. Dr. Al Jaber holds a PhD in Business and Economics from the UK and a BSc in Chemical Engineering from the United States.

H.E. Ali Majid Al Mansouri

Mr. Ali Majid Al Mansouri, a UAE national, is the Executive Director at the office of the Vice Chairman at the Executive Council. He plays an active role in developing fiscal policies and formulating strategic plans of the office. Mr. Al Mansouri has held several high level positions including the Director of External Equities Europe at the Abu Dhabi Investment Authority and Deputy Director at External Funds America. He has worked in several key sectors including the airline industry, automotives and energy. Mr. Al Mansouri is the Chairman of Abu Dhabi Airports Company, holds board positions at Al Hilal Bank and ZonesCorp and is a member of the Audit Committee at the Abu Dhabi Investment Council.

Mr. Al Mansouri holds a Bachelor degree in finance from Warner Pacific University USA and is a Chartered Financial Analyst (CFA). He has also successfully completed several seminars at the Harvard Business School.

Mr. Ali Saeed Al Falasi

Mr. Al Falasi, a UAE national, has extensive experience in the real estate sector and has been Chief Executive Officer of Hydra Properties since 2009. He is also currently appointed to the Board of Directors of Commercial Bank International PSC. Mr. Al Falasi has an M.B.A. from the University of Sharjah, a BSc from California State University in Production & Operation Management and a B.A. in Accounting from United Arab Emirates University.

Mr. Mansour Mohamed Al Mulla

Mr. Al Mulla, a UAE national, works as an Advisor in the Structured Finance and Capital Markets unit of Mubadala Development Company. He serves on the Boards of Abu Dhabi Finance PJSC, Abu Dhabi Ports Operating Company PJSC (Abu Dhabi Terminals) and Al Waha Capital PJSC. He is also a member of the Audit Committee of Abu Dhabi Future Energy Company (Masdar). Mr. Al Mulla holds a BSc in Business Administration from Portland State University, USA.

Mr. Ahmed Khalifa Al Mehairi

Mr. Al Mehairi, a UAE national, is a senior investment professional in the Direct Investments Department of the Abu Dhabi Investment Council. Prior to this, he started his career investing, managing and monitoring listed Japanese equities at the Abu Dhabi Investment Authority. Mr. Al Mehairi graduated from Concordia University, Montreal, Canada with a Bachelor of Commerce majoring in Finance.

Mr. Mohammed Haji Al Khoori

Mr. Al Khoori, a UAE National, has over 22 years of experience in leadership and management having worked for a number of government organisations, investment entities and private companies in the UAE.

Previously, Mr. Al Khoori worked as a financial consultant and served as a senior executive within a number of organisations including until recently as Director General of the Khalifa Bin Zayed Al Nahyan Foundation as well as a number of important positions within the Public and Private Sector Court in Abu Dhabi.

Mr. Al Khoori is also on the board of a range of institutions in the UAE. These include the Zayed Higher Organization for Humanitarian Care & Special Needs, International Capital Trading Company, Dalma Company, International Golden Group, Federal Electricity and Water Authority and the Abu Dhabi Chess Club.

Mr. Al Khoori holds a Bachelor's degree in Economics from the California State University in San Bernardino, Unites States of America.

Mr. Martin Lee Edelman

Mr. Edelman, a US national, is an advisor to Mubadala Development Company. He has practiced law in the United States for 40 years and serves on the Boards of Manchester City Football Club, Avis Budget, Capital Trust and Ashford Hospitality. Mr. Edelman holds a BA in Politics from Princeton University and SJD in Law from Columbia University USA.

The business address of each of the Directors is HQ Building, Al Raha Beach, Abu Dhabi, UAE. There are no potential conflicts of interest between the duties of the Directors to Aldar and their private interests or other duties.

Committees of the Board

The Board has established an Executive Committee and, as required by applicable regulations, an Audit Committee and a Nomination and Remuneration Committee. The paragraphs below summarise the responsibilities of these Committees:

Executive Committee

The Executive Committee's primary responsibility is to maintain stewardship over Aldar's investment strategy and company-wide policies. Within limits delegated by the Board, it approves investment decisions and projects, asset management procurement strategies and material tender awards, investments, tenders and key financial targets and ratios set by executive management. It also approves key performance indicators for development projects and monitors their performance. The Executive Committee meets at least once every two months.

Audit Committee

The Audit Committee's primarily role is to provide objective review and advice to the Board on its oversight responsibility in relation to:

- the integrity of the accounts and the financial reporting process;
- the independence, competence, performance and remuneration of the external auditors;
- the effectiveness and efficiency of the internal control systems;
- the competency and performance of the internal control function; and
- compliance with regulatory requirements including internal policies and procedures and other corporate governance activities.

The Audit Committee meets at least quarterly.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is tasked with:

- verifying the on-going independence of independent members of the Board;
- developing and annually reviewing the remuneration policies of the Group;
- determining the required core competencies of executive management and senior employees;
- reviewing and annually assessing the human resources and training policy of the Group; and
- implementing the procedures for nomination to the membership of the Board.

The Nomination and Remuneration Committee meets at least twice a year.

EXECUTIVE MANAGEMENT

In August 2013, Aldar's Chief Executive Officer ("**CEO**") resigned for personal reasons. A global executive search firm has been appointed to identify a new CEO and candidates have been shortlisted. Aldar expects that a new CEO will be appointed early in 2014.

The name and title of each member of the Group's executive management team is set out in the table below:

Name	Title
Mohamed Al Mubarak	Deputy Chief Executive & Chief Portfolio Management Officer
Greg Fewer	Chief Financial Officer
Fahad Al Ketbi	Chief Operations Officer
Gurjit Singh	Chief Development Officer
Paul Warren	Chief Strategy Officer

Mohamed Al Mubarak, Deputy Chief Executive & Chief Portfolio Management Officer

Mr. Al Mubarak was integral to the development of Aldar's operational businesses as well as that of the fast-growing Sales & Leasing, Property & Asset Management and Facilities Management units within the organisation. Besides his executive responsibilities at Aldar, Mr. Al Mubarak serves on the board of the Abu Dhabi, Tourism & Cultural Authority. Prior to joining Aldar, Mr. Al Mubarak worked with the corporate and investment bank Barclays Capital in London, focusing on investment and finance in the MENA region. He is a graduate of Northeastern University (USA), with a double Major in Economics and Political Science.

Greg Fewer, Chief Financial Officer

Mr. Fewer is the Chief Financial Officer of Aldar and is responsible for the overall financial leadership of Aldar including the oversight of group financial strategy, financial reporting, and corporate finance. Prior to Aldar, Mr. Fewer was Deputy Head of Structured Finance & Capital Markets at Mubadala where he was jointly responsible for Mubadala's overall debt raising activities and overseeing Mubadala's investment program in the commercial finance market. He holds a BComm (Hons) from the University of Manitoba and an MBA from London Business School.

Fahad Al Ketbi, Chief Operations Officer

Mr. Al Ketbi is Chief Operations Officer of Aldar. Previously, Mr. Al Ketbi served as the Chief Commercial Officer at Sorouh. Prior to joining Sorouh, Mr. Al Ketbi was a commissioned officer in the UAE Military Forces, rising to the position of Colonel and Director of the Corps of Engineers. Mr. Al Ketbi holds a Masters of Science from the National Defense University, Washington, DC with a major in strategy and a Bachelor of Science in Civil Engineering from the University of Hartford, Connecticut, USA.

Gurjit Singh, Chief Development Officer

Mr. Singh is the Chief Development Officer of Aldar. Previously, he served as Chief Operating Officer of Sorouh. Prior to joining Aldar Properties, Mr. Singh worked with the Sime Darby Group, one of Malaysia's largest multinationals, and the Sentosa Leisure Group, where he worked as Group Director for the Property division, spearheading the development of the Sentosa Island destination in Singapore. He is a graduate of the University of Cambridge, England.

Paul Warren, Chief Strategy Officer

Mr. Warren is responsible for providing senior strategic advice to the CEO and Board of Directors. Mr. Warren has held senior roles in government, private equity and investment banking, including Assistant Secretary for Housing in Hong Kong, and six years at JPMorgan (USA) where he was Vice President of Investment Banking. He was also a founding partner of Capital Z Investments (New York), a $3.2 billion buyout fund dedicated to acquisitions in the financial services industry. He has served on numerous boards for both public and private entities in the United States, UK and Argentina.

The business address of each member of the Group's executive management team is HQ Building, Al Raha Beach, Abu Dhabi, UAE. There are no potential conflicts of interest between the duties of the members of the executive management team to Aldar and their private interests or other duties.

Management committees

Three management committees have been established to oversee the day to day financial and operational performance of the Group and to assist the Board in discharging its oversight responsibility:

Management Committee

The Management Committee governs the day to day business operations in accordance with the Board approved strategies, budgets and targets. It is responsible for:

- creating and maintaining an effective organisation and environment that promotes positive staff morale and performance;
- ensuring that the Group operates effectively and efficiently within established policies, the approved strategy and annual business and operating plans and budgets;
- monitoring actual performance against approved key performance indicators; and
- maintaining an effective human resources programme that supports the Group's strategic goals.

Tender Committee

The Tender Committee oversees the procurement activities of the Group to ensure that works, services and purchases are acquired at the most favourable terms in a fair and transparent manner consistent with the delivery and quality required by the Group. Within limits delegated by the Board, it is responsible for implementing the procurement and overseeing all major purchases, as well as amendments or variations to contract terms and conditions, relating to projects and corporate affairs and ensuring compliance with procurement policies.

Risk Management Committee

The Risk Management Committee develops and recommends the Group's risk management framework including relevant systems, processes, policies and procedures. It is responsible for identifying, assessing, monitoring and managing risks within the Group and recommending policies and procedures to mitigate these risks.

EMPLOYEES

As at 30 September 2013, the Group had 337 full time employees.

The Group's Human Resource ("**HR**") Department is responsible for change management, organisational development, performance improvement, talent management, payroll, and employee relations with a special focus on developing UAE nationals through proper programmes.

The HR Department is responsible for promoting HR best practices, programmes and initiatives that will support the business in achieving its goals. The HR Department comprises the following functions:

- **Manpower planning and recruitment**: this function structures the recruitment policy; provides a systematic recruitment process, and deals with manpower planning, recruitment and selection and placement of personnel, immigration, visa process and staff relocation administration.
- **Employee relations**: this function provides independent counselling to employees to resolve work related problems that may relate to performance or discipline based issues, reviews HR policies, handles the monthly payroll, staff transfers, promotions, resignations and terminations, administers the staff grievance process and administers the staff insurance programme.
- **Organisational development and performance management**: this function supports the Group's organisational change and talent management initiatives, provides performance improvement interventions and assistance to employees with a view to enhancing their technical skills and knowledge, and develops employees' career paths by sourcing and facilitating training programmes, development programmes and other learning initiatives, with a particular focus on succession planning in respect of UAE nationals.
- **Learning & development**: this function is responsible for all aspects of career development and learning initiatives and is linked closely with the performance management cycle, including in house and external training, internships, certified and academic programmes. This function also runs various development programmes with a strong focus on Emiritisation policies to ensure that UAE nationals are encouraged into the business, retained and developed throughout the organisation.

DESCRIPTION OF THE TRUSTEE

General

The Trustee was incorporated in the Cayman Islands on 10 October 2013 as an exempted limited liability company under the Companies Law (2013 Revision) (as amended) under the name Sukuk Funding (No. 3) Limited and with registered number 281811. The Trustee's registered office address is Sukuk Funding (No. 3) Limited, c/o MaplesFS Limited, PO Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, and its telephone number is +1 345 945 7099, its fax number is +1 345 945 7100.

Business of the Trustee

The primary purpose of the Trustee is to issue the Certificates and enter into the transactions contemplated by the Transaction Documents. The Trustee is a newly formed Cayman Islands entity and as at the date of this Prospectus, has not commenced business and does not have any substantial assets or liabilities.

Share Capital of the Trustee

The Trustee has no subsidiaries. The Trustee has an authorised Share Capital of U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 par value each, of which 250 shares have been issued and fully paid up as at the date of this Prospectus.

The Trustee's entire issued share capital is held by MaplesFS Limited under the terms of an irrevocable declaration of trust dated 27 November 2013 (the "**Share Declaration of Trust**") under which MaplesFS Limited holds the shares of the Trustee in trust until the Termination Date (as defined in the Share Declaration of Trust).

Prior to the Termination Date, the trust is an accumulation trust but MaplesFS Limited (as trustee of the shares in the Trustee) has the power to benefit one or more Qualified Charities (as defined in the Share Declaration of Trust) or the holders of the Certificates. It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, MaplesFS Limited (as trustee of the shares in the Trustee) will wind up the trust and make a final distribution to charity. MaplesFS Limited (as trustee of the shares in the Trustee) has no beneficial interest in and derives no benefit (other than its fee for acting as trustee of the shares in the Trustee) from its holding of the shares in the Trustee.

Directors of the Trustee

The directors of the Trustee are all officers of the Trustee Administrator. The directors of the Trustee and their other principal activities as at the date hereof are as follows:

Name	Other principal activities
Andrew Millar	Senior Vice President of Maples Fund Services (Middle East) Limited
Cleveland Stewart	Vice President of MaplesFS Limited

The business address of Andrew Millar is c/o Maples Fund Services (Middle East) Limited, Liberty House, 6th Floor, Office 616, P.O. Box 506734, Dubai, United Arab Emirates. The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

Corporate Administration

MaplesFS Limited will also act as the Trustee Administrator. The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement.

In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

Directors' Interests

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Trustee and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Trustee and its private interests and/or other duties, save for the fact that each director is an employee and/or officer of the Trustee Administrator (or an affiliate thereof).

As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Trustee, regardless of any other directorships he or she may hold.

Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

OVERVIEW OF THE UAE AND ABU DHABI

THE UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

Based on IMF data for 2012 (extracted from the World Economic Database (October 2013)), the UAE is the second largest economy in the MENA region after Saudi Arabia based on nominal GDP and the third largest after Qatar and Kuwait based on nominal GDP per capita. It has a more diversified economy than most of the other countries in the GCC. According to OPEC data, at 31 December 2012, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world). Based on IMF data (extracted from the World Economic Database (October 2013)) real GDP growth in the UAE increased by 4.4 per cent. in 2012. Based on the same source, real GDP in the UAE grew by 3.9 per cent. in 2011 and by 1.7 per cent. in 2010, fell by 4.8 per cent. in 2009 and grew by 3.2 per cent. in 2008.

The UAE enjoys good relations with the other states in the GCC. However, the UAE does have a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

On 11 August 2013, Moody's reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by Abu Dhabi. The UAE is not rated by any other rating agency.

ABU DHABI

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Abu Dhabi, with proven crude oil reserves estimated to be in excess of 90 billion barrels, has approximately 95 per cent. of the UAE's total oil reserves and approximately 6.3 per cent. of the world's proven oil reserves (which were 1,478 billion barrels according to OPEC at 31 December 2012). In recent years, Abu Dhabi has produced between 2.2 and 2.5 million barrels of oil per day, which is just over 95 per cent. of total UAE production. At this rate of production, Abu Dhabi's oil reserves would last over 100 years. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. Abu Dhabi has approximately 93 per cent. of the UAE's natural gas resources. The UAE's natural gas resources were 6,091 billion standard cubic metres and represented approximately 3.0 per cent. of the world's natural gas reserves of 200,350 billion standard cubic metres, in each case at 31 December 2012 and according to OPEC.

The table below shows Abu Dhabi's crude oil production (excluding condensates), exports and average selling prices for each of the years indicated. No data is currently available for any period after 2011.

	2009	2010	2011
Crude oil production (*million b/d*)	2.2	2.3	2.5
Crude oil exports (*million b/d*)	2.0	2.0	2.3(1)
Oil, gas and oil product exports (*U.S.$ billions*)	53.5(2)	75.7(1)(2)	107.1(1)(2)
Average crude oil price (*U.S.$ per barrel*)	62.7	78.5	109.5

Notes:

(1) Figures are preliminary estimates.

(2) Production excludes condensates.

Source: Abu Dhabi National Oil Company, except oil, gas and oil product exports for which the source is Statistics Centre.

The population of the UAE, based on a census carried out in 2005, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. The UAE National Bureau of Statistics estimated the population of the UAE to be approximately 8.2 million at the end of 2009 and approximately 8.3 million in mid-2010.

The populations of both the UAE and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth using mid-year population figures from official census data since 1985.

	1985	1995	2005	2010/12
Abu Dhabi population	566,036	942,463	1,399,484	2,334,563
Total UAE population	1,379,303	2,411,041	4,106,427	8,264,070

*Source: Official census data published by the UAE National Bureau of Statistics ("**NBS**") (1985 to 2005), NBS estimate (2010) Abu Dhabi Statistics Centre estimate (2012).*

In 2013, the Abu Dhabi Statistics Centre (the "**Statistics Centre**") estimated the Emirate's population to be 2,334,563 in mid-2012.

In mid-2011 and based on Statistics Centre estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 and over and 17.4 per cent. being under the age of 15. The population mix in mid-2011 is estimated by the Statistics Centre to have comprised 20.7 per cent. UAE nationals and 79.3 per cent. non-nationals, principally expatriate workers from Asian and other Middle Eastern countries.

The table below sets out annual inflation rates in Abu Dhabi for each of the periods indicated.

	2009	2010	2011	2012
		(per cent.)		
Abu Dhabi annual inflation rate	0.8	3.1	1.9	1.1

In the eight months to August 2013, inflation in Abu Dhabi was 1.0 per cent. compared to the corresponding period of 2012.

According to the Statistics Centre, Abu Dhabi's nominal GDP per capita was estimated to be approximately U.S.$106,324 in 2012 which makes it one of the highest in the Gulf region. Mining and quarrying (principally crude oil and natural gas) dominates Abu Dhabi's economy and contributed approximately U.S.$140.2 billion, or 56.5 per cent., of nominal GDP in 2012. Increases in oil and gas production rates combined with increases in oil prices contributed significantly to the real growth in Abu Dhabi's GDP in 2010 and 2011, although growth in the oil sector was significantly more muted in 2012. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in real terms in Abu Dhabi's GDP in 2009.

The tables below show Abu Dhabi's nominal and real GDP, its percentage growth rate in real terms, the UAE's nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the UAE's nominal GDP for each of the years indicated.

	2008	2009	2010	2011	2012[(1)]
	(AED billions, except for percentage)				
Abu Dhabi nominal GDP (current price)	705.2	535.3	640.0	846.7	911.6
Abu Dhabi real GDP (constant 2007 prices)	580.1	551.5	587.1	641.8	678.0
Percentage change in Abu Dhabi real GDP	6.4	(4.9)	6.5	9.3	5.6
UAE nominal GDP (current prices)	1,154.8	935.8	1,055.6	1,280.2	1,409.5
Abu Dhabi as a percentage of UAE	61.1	57.2	60.6	66.1	64.7

Note:

(1) Preliminary estimate

Sources: Statistics Centre (for Abu Dhabi nominal GDP) and UAE National Bureau of Statistics (for UAE nominal GDP only).

Abu Dhabi's GDP is dominated by the mining and quarrying sector (principally crude oil and natural gas) sector, which contributed 58.5 per cent. of nominal GDP in 2008, 44.6 per cent. in 2009, 49.6 per cent. in 2010, 57.3 per cent. in 2011 and 56.5 per cent. in 2012. Outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2008, 2009, 2010, 2011 and 2012 have been: construction; manufacturing; financial institutions and insurance; wholesale and retail trade and repairing services; and real estate which, together, accounted for 26.6 per cent. of nominal GDP in 2008, 35.7 per cent. in 2009, 31.9 per cent. in 2010, 26.9 per cent. in 2011 and 27.2 per cent. in 2012. Excluding oil and gas, which are treated as being under public ownership, public administration and defence accounted for 3.8 per cent. of GDP in 2012.

Of these principal sectors:

- Mining and quarrying grew in real terms by 7.5 per cent. in 2008, declined in real terms by 13.9 per cent. in 2009 and grew in real terms by 6.8 per cent., 11.7 per cent. and 3.8 per cent. in 2010, 2011 and 2012, respectively;
- Construction grew at real rates of 22.0 per cent. 32.3 per cent., 9.7 per cent., 0.6 per cent. and 4.0 per cent. in each of 2008, 2009, 2010, 2011 and 2012, respectively;
- Manufacturing declined at real rates of 7.0 per cent. and 8.0 per cent. in 2008 and 2009, respectively, and grew at real rates of 6.3 per cent., 17.9 per cent. and 9.7 per cent. in 2010, 2011 and 2012, respectively;
- Financial institutions and insurance declined at a real rate of 7.5 per cent. in 2008, grew at a real rate of 7.6 per cent. in 2009, declined at a real rate of 5.2 per cent. in 2011 and grew at real rates of 6.7 per cent. and 3.8 per cent. in each 2011 and 2012, respectively;
- Wholesale and retail trade and repairing services grew at a real rate of 2.7 per cent. in 2008, declined in real terms by 9.8 per cent. in 2009, grew in real terms by 0.3 per cent. in 2010, declined in real terms by 2.1 per cent. in 2011 and grew in real terms by 8.2 per cent. in 2012; and
- Real estate grew at real rates of 15.1 per cent., 7.3 per cent., 8.7 per cent., 25.7 per cent. and 16.8 per cent. in each of 2008, 2009, 2010, 2011 and 2012, respectively.

The tables below show Abu Dhabi's nominal GDP by economic activity and by percentage contribution of each sector for each of the years indicated.

	2008		2009	
	(AED millions)	*Contribution (%)*	*(AED millions)*	*Contribution (%)*
Mining and quarrying (including crude oil and natural gas)	412,774	58.5	239,006	44.6
Construction	65,655	9.3	79,310	14.8
Manufacturing	39,118	5.5	29,990	5.6
Real estate	21,350	3.0	23,830	4.5
Financial institutions and insurance	29,575	4.2	30,154	5.6
Wholesale, retail trade and repairing services	32,282	4.6	28,084	5.2
Public administration and defence; compulsory social security	18,653	2.6	20,559	3.8
Transport and storage	16,737	2.4	15,401	2.9
Information and communications	23,261	3.3	24,022	4.5
Electricity, gas and water supply; waste management	14,064	2.0	14,678	2.7
Professional, scientific and technical	18,113	2.6	17,385	3.2
Administrative and support services	8,249	1.2	9,695	1.8
Accommodation and food services	6,762	1.0	6,283	1.2
Education	7,229	1.0	7,499	1.4
Agriculture, forestry and fishing	4,539	0.6	4,698	0.9
Human health and social work	3,717	0.5	3,722	0.7
Arts, recreation and other services	1,589	0.2	2,068	0.4
Activities of households as employers	1,309	0.2	1,503	0.3
(less imputed bank services)	(19,815)	(2.8)	(22,575)	(4.2)
Total GDP	**705,159**	**100.0**	**535,311**	**100.0**

Source: Statistics Centre.

	2010		2011		2012	
	(AED millions)	*Contribution (%)*	*(AED millions)*	*Contribution (%)*	*(AED millions)*	*Contribution (%)*
Mining and quarrying (including crude oil and natural gas)	317,237	49.6	484,737	57.3	514,847	56.5
Construction	82,781	12.9	83,516	9.9	87,692	9.6
Manufacturing	35,813	5.6	47,967	5.7	53,359	5.9
Real estate	27,555	4.3	34,693	4.1	39,897	4.4
Financial institutions and insurance	29,332	4.6	32,885	3.9	34,735	3.8
Wholesale, retail trade and repairing services	28,524	4.5	28,086	3.3	32,153	3.5
Public administration and defence; compulsory social security	30,662	4.8	33,506	4.0	34,846	3.8
Transport and storage	21,236	3.3	29,238	3.5	33,156	3.6
Information and communications	19,038	3.0	19,337	2.3	19,822	2.2
Electricity, gas and water supply; waste management	16,536	2.6	18,996	2.2	20,905	2.3
Professional, scientific and technical	18,032	2.8	19,160	2.3	22,001	2.4
Administrative and support services	7,935	1.2	9,643	1.1	11,076	1.2
Accommodation and food services	7,548	1.2	8,477	1.0	9,451	1.0
Education	6,986	1.1	9,058	1.1	10,416	1.1
Agriculture, forestry and fishing	4,556	0.7	5,136	0.6	5,316	0.6
Human health and social work	3,670	0.6	5,644	0.7	6,260	0.7
Arts, recreation and other services	3,414	0.5	2,483	0.3	2,684	0.3
Activities of households as employers	1,572	0.2	1,787	0.2	2,019	0.2
(less imputed bank services)	(22,475)	(3.5)	(27,665)	(3.3)	(29,043)	(3.2)
Total GDP	**639,952**	**100.0**	**846,684**	**100.0**	**911,591**	**100.0**

Source: Statistics Centre.

The table below shows Abu Dhabi's real GDP by economic activity and the year on year real growth rate in each sector for each of the years indicated.

	2008		2009	
	(AED millions)	*Real growth rate (%)*	*(AED millions)*	*Real growth rate (%)*
Mining and quarrying (including crude oil and natural gas)	330,515	7.5	284,570	(13.9)
Construction	57,393	22.0	75,903	32.3
Manufacturing	32,790	(7.0)	30,170	(8.0)
Financial institutions and insurance	25,249	(7.5)	27,167	7.6
Wholesale, retail trade and repairing services	26,320	2.7	23,744	(9.8)
Real estate	18,663	15.1	20,034	7.3
Public administration and defence; compulsory social security	12,043	4.1	13,197	9.6
Information and communications	23,161	5.6	23,768	2.6
Transport and storage	13,610	11.7	13,727	0.9
Professional, scientific and technical	15,766	2.6	15,015	(4.8)
Electricity, gas and water supply; waste management	13,393	5.8	14,740	10.1
Administrative and support services	7,181	(19.0)	8,373	16.6
Education	6,137	0.3	6,628	8.0
Accommodation and food services	4,963	2.0	4,674	(5.8)
Agriculture, forestry and fishing	4,860	10.8	4,570	(6.0)
Human health and social work	2,471	40.6	2,442	(1.2)
Arts, recreation and other services	1,393	(31.0)	1,845	32.5
Activities of households as employers	1,139	12.7	1,298	13.9
(less imputed bank services)	(16,917)	4.2	(20,339)	20.2
Total GDP	**580,130**	**6.4**	**551,525**	**(4.9)**

Source: Statistics Centre.

	2010		2011		2012	
	(AED millions)	*Real growth rate (%)*	*(AED millions)*	*Real growth rate (%)*	*(AED millions)*	*Real growth rate (%)*
Sector						
Mining and quarrying (including crude oil and natural gas)	303,891	6.8	339,575	11.7	352,616	3.8
Construction	83,263	9.7	83,759	0.6	87,096	4.0
Manufacturing	32,075	6.3	37,830	17.9	41,483	9.7
Financial institutions and insurance	25,742	(5.2)	27,462	6.7	28,491	3.8
Wholesale, retail trade and repairing services	23,826	0.3	23,315	(2.1)	25,235	8.2
Real estate	21,783	8.7	27,384	25.7	31,969	16.8
Public administration and defence; compulsory social security	19,248	45.9	20,738	7.7	21,384	3.1
Information and communications	16,675	(19.3)	18,739	(1.9)	20,916	2.2
Transport and storage	19,173	21.5	18,808	12.4	19,224	11.6
Professional, scientific and technical	15,115	0.7	15,761	4.3	17,955	13.9
Electricity, gas and water supply; waste management	15,403	4.5	16,798	9.1	18,076	7.6
Administrative and support services	6,651	(20.6)	7,932	19.3	9,037	13.9
Education	6,926	4.5	7,287	5.2	7,385	1.4
Accommodation and food services	5,824	24.6	7,314	25.6	7,914	8.2
Agriculture, forestry and fishing	4,488	(1.8)	5,006	11.5	5,196	3.8
Human health and social work	2,396	(1.9)	3,612	50.8	3,986	10.4
Arts, recreation and other services	3,037	64.6	2,146	(29.3)	2,627	5.6
Activities of households as employers	1,318	1.5	1,470	11.5	1,642	11.7
(less imputed bank services)	(19,724)	(3.0)	(23,102)	17.1	(23,823)	3.1
Total GDP	**587,107**	**6.5**	**641,831**	**9.3**	**678,049**	**5.6**

Source: Statistics Centre.

The Abu Dhabi government's long-term foreign and local currency issuer ratings were affirmed at Aa2 and its short-term foreign and local currency issuer ratings at Prime-1 by Moody's on 11 August 2013. The factors cited as supporting this high investment grade rating were a strong government balance sheet, abundant hydrocarbon resources, high per capita income, domestic political stability and strong international relations. The factors cited as constraining the ratings were a troubled regional political environment, lower World Bank governance scores than other highly rated countries, volatile GDP caused by concentration on hydrocarbons and substantial debt of government-related enterprises.

The Abu Dhabi government's long-term sovereign credit ratings were affirmed at AA (long-term) and A-1+ (short-term) by S&P on 14 February 2013. S&P commented that the ratings were anchored by the government's strong fiscal and external positions and that the strength of the government's net asset position provides a buffer to counter the negative impact of oil price volatility on economic growth, government revenues and the external account. The ratings are, however, constrained by weak political institutions, a lack of transparency and public accountability, limited availability of timely financial and economic data, contingent liabilities from state-owned and government-related enterprises and limited monetary policy flexibility.

The Abu Dhabi government's long-term foreign and local currency issuer default ratings were affirmed at AA and its short-term foreign currency issuer default ratings were affirmed at F1+ by Fitch on 22 August 2013. Fitch cited the following rating factors as strengths: Abu Dhabi's sovereign balance sheet is the third strongest of any sovereign rated by Fitch; Abu Dhabi is one of the world's largest hydrocarbon producers on a per capita basis; economic growth is above the peer median and non-oil growth is stronger and less volatile than the peer group; and GDP per capita is the highest of all Fitch-rated sovereigns. Fitch also cited the following rating factors as weaknesses: the government relies on oil for around 90 per cent. of fiscal and external revenue; a weaker economic policy outlook than for peers; contingent liabilities from its state-owned enterprises, banks and other emirates; there is a lack of information on the absolute size of foreign assets and significant gaps in economic data; and financial market development is weak compared to peers.

RECENT DEVELOPMENTS IN THE ABU DHABI REAL ESTATE MARKET

The information set out below has been derived from research published by Jones Lang LaSalle (Abu Dhabi Real Estate Market Overview Q3 2013), CBRE (Abu Dhabi Office and Residential Market View Q2 2013), Cluttons (Abu Dhabi property market update April 2013), Asteco (Abu Dhabi Report H1 2013) and Knight Frank (H1 Abu Dhabi Offices Market Update) and from Hotel Establishment Statistics – August 2013 produced by the Abu Dhabi Tourism and Culture Authority.

Residential

According to Jones Lang Lasalle ("**JLL**"), current stock at 30 September 2013 amounted to approximately 213,000 units with future supply potentially resulting in a total of 254,000 units by 31 December 2015. JLL report that during the third quarter of 2013 asking rents for prime buildings within investment areas remained unchanged after 8 per cent. growth during the first quarter, whereas residential rents for secondary stock continued to fall. The residential sales market witnessed 5 per cent. growth in asking prices for prime properties within investment areas during the third quarter of 2013, which repeated the 5 per cent. growth in the second quarter of the year. JLL has also noted that price growth was accentuated by the limited amount of stock available for purchase.

According to CBRE, the residential market in the second quarter of 2013 saw increased tenant activity arising from the Government's decision in September 2012 that its employees should reside in Abu Dhabi in order to receive their housing contribution. CBRE reported that the completion of a significant number of new residential units from master planned locations was encouraging widespread relocation within the capital, as tenants look to capitalise on prevailing affordability as they search for new and better quality housing options. However, CBRE also observed that despite a noticeable rise in leasing activity during the first half of the year and record sales transactions, average rents continued to fall, with rental rates having dropped a further 4 per cent. during the second quarter and being down around 10 per cent. over the previous 12 months.

According to Cluttons, since October 2012 the Abu Dhabi residential market has shown increased demand in areas offering a community lifestyle with a high quality finish, values and rents having risen in these areas, defying general trends across the Emirate. Cluttons also noted that whilst previously the increased supply of stock onto the market had caused rents to falter, the six months to April 2013 had seen certain areas characterised by modern developments experiencing a healthy demand which has helped to push rents upwards in those developments.

According to Asteco, the first half of 2013 has proven to be a period of relative stability, with declines in some areas offset by growth in others. Asteco reported that prime developments experienced steady rental growth throughout 2013, fuelled by strong demand and a lack of availability which has led to rental increases of up to 10 per cent. year on year. Contrary to the performance of the prime and high-end sectors, Asteco noted that the mid-end sector had seen rental declines over the 12 months to April 2013, with that trend being driven by a combination of factors, including residents choosing to relocate to newer, better quality and value for money developments. In addition, Asteco noted that a significant number of these properties were historically overpriced and have therefore had a larger margin to adjust in order to reach their current market level. Asteco also commented that the sales market has benefited from improved transaction activity in 2013, driven by a wider choice of properties available at different levels of affordability. However, Asteco commented that it anticipates a slowdown in sales price growth as new units are handed over during 2013.

Commercial

According to JLL, current office stock in the Abu Dhabi metropolitan area as at 30 September 2013 amounted to 2.95 million square metres in gross leasable area ("**GLA**"), with an additional 143,000 square metres expected by the end of 2013, although some of these projects may be delayed into 2014; and future supply of up to 967,000 square metres by 31 December 2015, primarily within masterplanned areas. JLL noted that many companies already located in Abu Dhabi are moving to newer buildings in a flight to quality which it expects will place further pressure on secondary office buildings that will struggle with the oversupply of new office buildings and consequently will face declining rentals. JLL report that average net effective rents for Grade A office space remained stable for the last five quarters and rents for Grade B space remained stable in the third quarter of 2013. JLL also report that office vacancy rates remained stable in the third quarter of 2013 at 38 per cent.. JLL expects vacancies to increase further in the 12 months following September 2013 as handovers continue.

According to CBRE, the commercial market showed some very early signs of a revival in the second quarter of 2013, with an increase in leasing transactions and rising occupier interest, although CBRE noted that this was not sufficient to stop the decline of average rents. CBRE reported that rental rates for Grade A commercial office space remained static during the second quarter of 2013, but were down 5 per cent. in annual terms. CBRE also noted that secondary office rental rates in the capital continued to slide, falling nearly 3 per cent. during the second quarter of 2013 and close to 10 per cent. year on year, widening the spread between prime and non-prime accommodation and reflecting a sustained trend of flight to quality. CBRE concluded that Abu Dhabi's increasing supply and demand imbalance is prolonging the tenant-led market, encouraging city landlords to be more flexible with their terms and more generous in their incentive packages, particularly for long-term lease agreements.

According to Cluttons, demand for Grade A office space was relatively stable over the six months to April 2013. However, Cluttons anticipates that the release of further supply into the market will put further pressure on rents over the six to 12 months following April 2013. Cluttons also expects that, as further newly built office stock is released onto the market, various older office buildings will experience further downward pressure on rents as corporate tenants look to relocate to modern commercial premises.

According to Asteco, the office market remained relatively stable in the first six months of 2013 with affordable space now leased out. Asteco reports that transaction volumes for Grade A and good quality space in Grade B properties remain relatively low as the minimum sizes are above the requirements of most tenants in the market.

Knight Frank noted increased activity in the occupier market in the first six months of 2013, driven by continued Government diversification and investment within the economy. Knight Frank reported that rents for Prime and Grade A accommodation remained unchanged during the first half of 2013 and that they expected to see the flight to quality increase more rapidly as new schemes become established and fully occupied.

Retail

According to JLL, current retail space in the Abu Dhabi metropolitan area amounted to approximately 1.89 million square metres at 30 September 2013, with additional supply of approximately 143,000 square metres by the end of 2013 and 678,000 square metres expected by 31 December 2015. JLL commented that continuous growth in retail spending (derived from both the resident population and higher tourist levels) is supporting demand for retail space in Abu Dhabi and that average rents of retail centres have remained stable in the third quarter of 2013. JLL reports that vacancy rates remain minimal within established centres on Abu Dhabi island, but are much higher in newly completed centres, with some opening with significant levels of vacant space. JLL also noted that there are a number of large malls under development, which are expected to materialise between 2017 and 2018 and which could cause rents to soften in the short to medium term as developers compete to secure the best retailers.

According to Cluttons, retail rents have remained consistent over the six months to April 2013. As further retail space is released to the market over the next few years, Cluttons expects that downward pressure will be placed on retail rents as malls compete to secure tenants.

Hotel

According to JLL, current supply in the hotel sector in Abu Dhabi is approximately 17,350 rooms, with future supply expected to be up to approximately 23,100 rooms by 31 December 2015. JLL reported that occupancy levels witnessed a six percentage point increase during the first eight months of 2013, reaching 64 per cent. in the first eight months of 2013. JLL also noted that although average daily rates remained under pressure as hotels resorted to heavy discounting to boost occupancy and declined by 2 per cent. in the first eight months of 2013 compared to the same period in 2012, due to positive growth in occupancies, revenue per available room in the first eight months of 2013 experienced an increase of nearly 9 per cent. compared to the corresponding period of 2012.

Based on Hotel Establishment Statistics – August 2013 produced by the Abu Dhabi Tourism and Culture Authority ("**ADTCA**"), the hospitality industry in Abu Dhabi continues to witness growth in revenues and occupancy rates. ADTCA statistics showed that:

- the total number of rooms in hotels of 3-star standard or above in Abu Dhabi was 18,831 at 31 August 2013;
- average daily rates per room (calculated by dividing room revenue by the number of rooms sold) for the eight months to 31 August 2013 fell by 2.1 per cent. when compared to the corresponding period of 2012;
- the occupancy rate for the eight months to 31 August 2013 grew by 7.9 per cent. when compared to the corresponding period of 2012, reflecting an increase of 13.1 per cent. in guest arrivals over the two periods; and
- revenue per available room (being the total number of rooms keys out of use rooms) for the eight months to 31 August 2013 grew by 5.9 per cent. when compared to the corresponding period of 2012, driven by lower average daily rates which encouraged higher occupancy.

Outlook

According to JLL, the third quarter of 2013 saw the continued recovery of the prime residential market, while the retail, hospitality and prime office sectors all remained relatively stable and poised for future recovery. JLL commented that the residential market recovery was restricted to prime sectors of the market, with secondary sub-sectors continuing to decline. For most asset classes, in spite of market-wide over supply, JLL reported a shortage of high quality stock which, in its view, continues to drive product differentiation, with two-tier performance between high grade and low grade property. JLL commented that the future outlook remains positive with short-term demand fuelled by the Government progressing major new projects and that long-term market recovery growth is dependent on the Government's on-going economic development initiatives to diversify the economy and generate sustainable demand growth. In JLL's view, sustainable recovery is also dependent on the Government implementing further supply controls.

According to CBRE, Abu Dhabi's residential and commercial real estate market remains fragmented with sector performance varying by individual asset types and locations. CBRE commented that, whilst an imminent recovery is anticipated for the residential sector, a similar revival appears unlikely for the commercial office sector. As a result, office rental rates are expected to see further declines, led by the weak performance of the secondary market. CBRE expects the residential sector to return to positive growth by the end of 2013, with occupier and investor activity intensifying and, as the recovery gathers pace, CBRE expects to see rising growth specifically for good quality properties within established masterplan communities and desirable locations on the main island. In relation to off-island secondary residential locations and inferior products without access to good transportation services or the benefit of a masterplan, CBRE expects to see further deflationary trends in the short term before the recovery becomes more broad based.

PROPERTY LAWS IN ABU DHABI

The key laws relating to the property sector in Abu Dhabi are Law No 19 of 2005 (as amended by Law No 2 of 2007) and the regulations issued as Executive Council Resolution No 64 of 2010. These laws provided for the mandatory registration of real estate transactions (including leases for a term of over four years) by establishment of the Land Registration Department of the Municipality of Abu Dhabi whose functions are to:

- establish a property register;
- register the disposition of property;

- attest the signatures of the parties to deeds which are to be registered; and
- issue search certificates.

In addition, Executive Council Resolution 4 of 2011 introduced an additional lease registration system known as "Tawtheeq" separately maintained by the Municipality of Abu Dhabi. Most types of leases for a term of less than four years are now subject to mandatory registration under the Tawtheeq system.

The relevant laws provide that the right to own real estate in the Emirate is limited to the following:

- UAE nationals and other corporate bodies wholly owned by such nationals;
- the UAE government and the governments of the individual emirates of the UAE;
- authorities, companies, corporations, funds, councils and other entities owned by the Government; and
- persons, companies and other entities identified by a resolution issued by the Executive Council.

Citizens of the GCC states and corporate bodies wholly owned by them are permitted to own land within an Investment Area (an area designated as such by a decision of the Executive Council) subject to the guidelines and restrictions issued by the Executive Council.

Nationals of all states (natural and corporate persons) can own surface property (floors and flats) but not the land itself. Additionally, pursuant to Law No. 19 of 2005, they have the right to enjoy a "right of use" of land located within designated "Investment Areas" under a use agreement for a term of 99 years. They may also obtain development rights in such Investment Areas for a term of up to 50 years renewable for a similar period subject to the agreement of the parties.

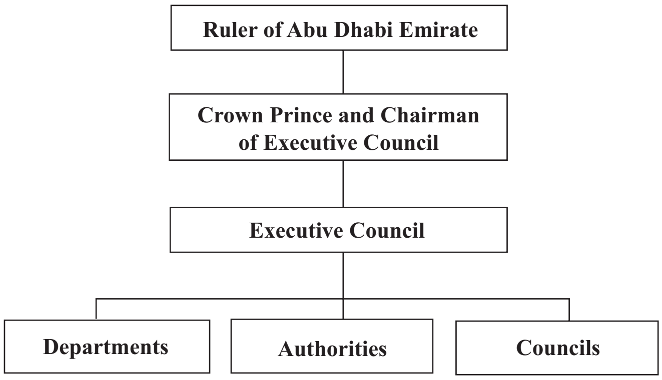
Additional new property laws have been expected since 2008 but have not yet been issued. These laws, when issued are expected to include provisions allocating the roles of property owners in split occupancy developments, a law to regulate escrow accounts with a view to ensuring that money from completed property pre-sales is protected and used in a specified manner by developers, a law to establish a regulator for the real estate market and a law to ensure that developers have all necessary land title and permits before launching pre-sales.

ABU DHABI GOVERNMENT

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan, and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan. The Crown Prince is also the chairman of the Executive Council, which is the principal executive authority below the Ruler and the Crown Prince. The Executive Council currently comprises 14 members appointed by Emiri Decree issued on 31 December 2010.

Departments, authorities and councils are established by Emiri Decree and are subject to the authority of the Executive Council. Departments manage administration within the Emirate and manage specific portfolios including, for example, the Department of Finance, the Department of Transport, the Department of Municipal Affairs, the Department of Economy and Planning and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Executive Affairs Authority, the Accountability Authority, the Abu Dhabi Water and Electricity Authority, the Health Authority and the Abu Dhabi Tourism Authority. Councils act as controlling bodies for certain Abu Dhabi government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Council for Economic Development, the Education Council, the Urban Planning Council, the Civil Service Council and the Supreme Petroleum Council.

The chart below summarises the structure of the Abu Dhabi government.



The Abu Dhabi government owns or has significant shareholdings in a number of companies. The most important companies owned by the Abu Dhabi government are ADNOC, which manages all aspects of the Emirate's oil and gas industry, Mubadala Development Company PJSC, an investment and development company, International Petroleum Investment Company, which principally invests in international oil and gas interests, Tourism and Development Investment Company, which is a developer of tourism and real estate assets in Abu Dhabi and is charged with fulfilling the Emirate's ambition to become a global tourist destination, and ADIA and Abu Dhabi Investment Council, which are the vehicles through which the Abu Dhabi government has historically invested its surplus hydrocarbon revenue and, in the case of ADIA, through which the government has funded budget deficits when they have arisen in the past. Each of these companies is wholly owned by the Abu Dhabi government and one or more members of the Executive Council sit on the boards of each company.

ABU DHABI'S ECONOMIC STRATEGY

The Abu Dhabi government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the government in January 2009 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Abu Dhabi government's strategy for economic development over the period to 2030. The Plan Abu Dhabi 2030-Urban Framework Plan (the "**Urban Framework Plan**") sets forth the enabling agenda for infrastructure and utilities for the city of Abu Dhabi and its surrounding areas. Similar plans have been prepared in relation to the Emirate's other two regions, the eastern region (Al Ain and its surrounding areas) and the western region (known as Al Gharbia).

The Policy Agenda

The Policy Agenda outlines the key goals and Government initiatives in development across a range of areas in the Emirate. It sets out four priority areas of focus: economic development; social and human resource development; infrastructure development and environmental sustainability; and optimisation of the role of government in the future of the Emirate. Each of these priority areas is underpinned by nine pillars of policy intended to form the architecture of the Emirate's social, political and economic future. These nine pillars are:

- establishing a large empowered private sector;
- developing a sustainable knowledge-based economy;
- creating an optimal and transparent regulatory framework;
- continuing the Emirate's strong and diverse international relationships;
- optimising the Emirate's resources;
- establishing a premium educational, healthcare and infrastructure asset base;
- ensuring international and domestic security;
- maintaining Abu Dhabi's values, culture and heritage; and
- contributing in a significant and on-going manner to the federation of the UAE.

The strategy for economic development includes a focus on developing a high-end tourism market aimed at attracting three million visitors per year by 2015. The Emirate's tourism strategy is being implemented by the Abu Dhabi Tourism and Culture Authority, which was founded in September 2004. The strategy focuses on three main areas: marketing Abu Dhabi globally as a tourist destination; developing tourism infrastructure and upgrading the Emirate's tourist attractions and services; and overseeing the tourism sector including in terms of licensing and quality control.

In the infrastructure area, the Government is also focusing on investments particularly in the fields of urban planning, transport, the environment, health and safety, municipal affairs and police and emergency services.

The Group is involved in both these areas through its involvement in the development of some of Abu Dhabi's significant tourist attractions, including the Formula 1 racetrack and the Ferrari World theme park and a major water park on Yas Island, and through a number of significant infrastructure projects undertaken for the Government.

The 2030 Economic Vision

The 2030 Economic Vision is a comprehensive plan to diversify the Emirate's economy and grow the contribution of the non-oil sector significantly by 2030 with a view to reaching equilibrium between oil and non-oil trade by 2028. The 2030 Economic Vision identifies two underlying economic policy priorities: the need to build a sustainable economy and the need to ensure that social and regional development is balanced to bring the benefits of economic growth and well-being to the entire population of the Emirate.

For both of these economic policy priorities, a number of specific core economic objectives have been identified. These include enhancing competitiveness, productivity and diversification, which is intended to reduce the volatility of growth; enlarging the enterprise base by encouraging entrepreneurs, small enterprises and foreign direct investment; and enabling the development of new national champion enterprises to act as economic anchors. In addition, to ensure that social and regional development reaches all sections of society, the 2030 Economic Vision envisages action to enable the Emirate's youth to enter the workforce, to maximise the participation of women and to continue to attract skilled labour from abroad.

In addition to the economic policy priorities and the core economic objectives, seven areas of specific economic focus have been identified, each having additional specific objectives that must be achieved in order for the Government's stated economic vision to be realised. In addition, the 2030 Economic Vision aims to achieve its goals by focusing resources on 12 sectors to drive the Emirate's future growth. These sectors include three sectors in which the Group is active:

- tourism;
- transportation, trade and logistics; and
- education.

Urban Framework Plan

The Urban Framework Plan for Abu Dhabi anticipates two distinct phases of development. The initial phase is intended to extend to 2015 and focuses on establishing the structural framework for future growth, such as transit and infrastructure, and to address areas of acute pressure. The two principal developments to be undertaken in this phase are the Central Business District development on Al Maryah Island and the development of the Capital District. The second phase extends from 2015 to 2030 and is expected to be principally concerned with accommodating an expanding economy and population through the development of higher density housing and the expansion of development within the industrial areas.

The Urban Framework Plan recommends supplementing existing areas of the city of Abu Dhabi with a number of new, distinct zones and expanding the city's transport system into a multi-layered network that connects the downtown core with new growth nodes and the developed islands. The aim of the Urban Framework Plan is to allow the city to expand through sustainable development with controlled growth and coordinated development. Sustainability under the Urban Framework Plan is envisaged to revolve around the natural environment, economic development and cultural heritage.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available: (i) electronically from the Principal Paying Agent; and (ii) for inspection at the offices of the Principal Paying Agent (as defined in the Conditions) during normal business hours.

Musataha Agreement

The Musataha Agreement will be entered into on the Closing Date between Sukuk Funding (No. 3) Limited (in its capacity as Trustee) and Aldar (in its capacity as Owner) and will be governed by the laws of the Emirate of Abu Dhabi and, to the extent applicable in Abu Dhabi, the federal laws of the UAE.

Pursuant to the Musataha Agreement, on the Closing Date, Aldar (in its capacity as the "**Owner**") will grant and the Trustee will receive a grant of a Musataha Interest in the Asset Portfolio in consideration for an amount equal to the proceeds of the issue of the Certificates.

Lease Agreement

The Lease Agreement will be entered into on the Closing Date between Sukuk Funding (No. 3) Limited (in its capacity as Lessor) and Aldar (in its capacity as Lessee). The Lease Agreement will be governed by English law.

Under the terms of the Lease Agreement, the Lessor will lease to the Lessee, and the Lessee has agreed to lease from the Lessor, the Asset Portfolio during the term of the Lease. The term of the Lease will commence on the Closing Date and end (subject to certain provisions in respect of the Additional Rental Period as more particularly described in the Lease Agreement) on the Dissolution Date.

The Lessor and the Lessee have also agreed that if a substitution or reduction (in whole or in part) of the Asset Portfolio or any replacement takes place following:

(a) the execution of a Sale Agreement in respect of Change of Control Aldar Assets specified in an Exercise Notice served pursuant to clause 3.1(d) of the Purchase Undertaking;

(b) the execution of a Transfer Agreement in respect of New Assets and Substituted Assets specified in a Substitution Notice served pursuant to clause 3.1(b) of the Sale Undertaking;

(c) the execution of a Transfer Agreement in respect of Cancellation Assets specified in a Cancellation Notice served pursuant to clause 3.1(c) of the Sale Undertaking; or

(d) a Partial Loss (as defined in the Lease Agreement) and the addition of a Replacement Asset (as defined below) to the Asset Portfolio pursuant to the Service Agency Agreement.

the Asset Portfolio subject to the Lease (as more particularly described in the schedule to the Lease Agreement) shall be amended to reflect such amendments or substitutions to or replacements of the Aldar Assets comprising the Asset Portfolio.

During the term of the Lease, the Lessee will agree to pay the Lessor the rent specified in the Lease Agreement for each rental period as specified in the Lease Agreement. The rental payments due under the Lease Agreement in respect of the Asset Portfolio will be sufficient (less any Rental Reduction Amount (as defined in the Lease Agreement in respect of any rental payable for any Lost Asset (as defined below), which amount will be paid pursuant to the Service Agency Agreement from the insurance proceeds in respect of such Lost Asset) to pay the relevant Periodic Distribution Amounts payable on the Periodic Distribution Dates in respect of the Certificates.

All payments by the Lessee to the Lessor under the Lease Agreement shall be paid in full without any set-off (save as provided in the Service Agency Agreement) or counterclaim of any kind and without any deduction or withholding for or on account of tax unless the deduction or withholding is imposed or levied by or on behalf of any relevant taxing authority, in which event the Lessee shall forthwith pay to the Lessor such additional amount so that the net amount received by the Lessor will equal the full amount which would have been received by it had no such deduction or withholding been made.

Under the terms of the Lease Agreement, the Lessee will agree that, from the date of commencement of the Lease, it shall bear the entire risk of loss or damage to (the whole or part of) the Asset Portfolio and no liability shall attach to the Lessor for any loss arising due to or in connection with the negligent or inappropriate usage of (the whole or part of) or operation or deliberate misuse of the Asset Portfolio by the Lessee. The Lessee shall, at its own cost and expense, be responsible for the performance of all ordinary maintenance and repair in respect of the Aldar Assets comprising the Asset Portfolio. The Lessor shall be responsible for: (i) the performance of all major maintenance and structural repair; (ii) the payment of any proprietorship taxes; and (iii) insuring the Asset Portfolio, and the Lessee acknowledges that the Lessor will instruct the Service Agent, in accordance with the terms of the Service Agency Agreement, to perform, or to procure the performance of, the major maintenance and structural repair, the payment of any proprietorship taxes and the insurance of the Asset Portfolio, in each case on behalf of the Lessor.

If a Total Loss Event occurs with respect to the Asset Portfolio, the Lease Agreement and the Lease shall automatically terminate and the Lessor will be entitled to all insurance proceeds payable pursuant to the Service Agency Agreement as a result of the Total Loss Event, together with any accrued and unpaid rental to the date on which the Total Loss Event occurred.

Service Agency Agreement

The Service Agency Agreement will be entered into the Closing Date by Sukuk Funding (No. 3) Limited (in its capacity as Lessor) and Aldar (in its capacity as Service Agent) and will be governed by English law.

Under the terms of the Service Agency Agreement, the Service Agent will be responsible on behalf of the Lessor for: (i) ensuring that the Asset Portfolio is properly insured; (ii) the performance of all major maintenance and structural repairs; and (iii) the payment of any proprietorship taxes charged, levied or claimed in respect of the Asset Portfolio. Wherever the Service Agent is to procure insurances in accordance with the terms of the Service Agency Agreement, it will use its reasonable endeavours to obtain such insurances on a *takaful* basis if such *takaful* insurance is available or is available on commercially viable terms.

Other than on the first Rental Payment Date (as defined in the Lease Agreement), the Lessor shall reimburse the Service Agent any Service Charge Amount (as defined in the Service Agency Agreement) that has been incurred on the Rental Payment Date falling at the end of the immediately following rental period in which the Service Charge Amount was incurred or, in the case of the final rental period, on the Lease End Date (as defined in the Lease Agreement).

An amount equal to the Service Charge Amount to be paid by the Service Agent (as Lessee under the Lease Agreement) to the Lessor as part of any: (i) rental; or (ii) Exercise Price under the Purchase Undertaking or the Sale Undertaking (as the case may be) may be set-off against the Service Charge Amount to be paid by the Lessor to the Service Agent under the Service Agency Agreement.

If a Total Loss Event occurs and, due to any negligence or breach of the terms of the Service Agency Agreement by the Service Agent, an amount less than the Full Reinstatement Value is credited to the Transaction Account (the difference between the Full Reinstatement Value and the amount credited to the relevant Transaction Account being the "**Total Loss Shortfall Amount**"), then the Service Agent will irrevocably and unconditionally undertake to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the relevant Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event occurred.

Upon the occurrence of a Partial Loss (as defined in the Lease Agreement) of any Aldar Asset (each such asset, a "**Lost Asset**"), the Service Agent shall use reasonable endeavours to apply all insurances received in respect of such Lost Asset towards the acquisition on the Trustee's behalf from Aldar, acting in its own capacity, of an equvialent replacement asset to the Asset Portfolio (a "**Replacement Asset**") by way of the grant of a further musataha interest on substantially the same terms. On the date falling two Business Days prior to a Dissolution Date, any insurance proceeds held by the Service Agent which have not been applied towards the addition of a Replacement Asset shall be paid to the Lessor by crediting such amounts to the Transaction Account (such amount being the "**Remaining Partial Loss Insurance Amount**").

Purchase Undertaking

The Purchase Undertaking will be executed as a deed on the Closing Date by Aldar in favour of Sukuk Funding (No. 3) Limited (in its capacity as Trustee) and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking and subject to the provisions contained therein, the Trustee and/or the Delegate, as the case may be, may, by exercising their rights under the Purchase Undertaking, be able to oblige Aldar to purchase all of the Trustee's rights, benefits and entitlements in and to the Asset Portfolio (including the musataha interest ganted in respect of such assets) on the Dissolution Date at the Asset Portfolio Exercise Price which shall be an amount in U.S. dollars equal to the aggregate of:

(a) the Base Amount (as defined in the Purchase Undertaking) as at the Dissolution Date, less an amount equal to the Remaining Partial Loss Insurance Amount;

(b) an amount equal to all accrued and unpaid Rental in respect of the Lease; and

(c) an amount equal to the sum of any outstanding due and unpaid amount Service Charge Amounts, **provided that** the Lessee has not rejected such amount.

In order to exercise the rights granted pursuant to the Purchase Undertaking, the Trustee (or the Delegate acting on its behalf) shall deliver an Exercise Notice to Aldar.

The Trustee will also be entitled to exercise its rights under the Purchase Undertaking following any exercise by the Certificateholders of their right to require the Trustee to redeem their Certificates on a Change of Control Put Option Date. In which case Aldar will be required to purchase a portion of the Asset Portfolio (comprising the Change of Control Aldar Assets) with an aggregate Value no greater than the aggregate face amount of the Certificates to be redeemed. The Change of Control Exercise Price (together with the Asset Portfolio Exercise Price, each an "**Exercise Price**") payable for the Change of Control Aldar Assets will be calculated on a similar basis to the Asset Portfolio Exercise Price save that the amounts described in subparagraph (c) of that definition shall only apply in the event that 100 per cent. of Certificateholders exercise their right to require the Trustee to redeem their Certificates.

Aldar will undertake in the Purchase Undertaking that if:

(a) the grant of the Musataha Interest in and to any of: (i) the Aldar Assets comprising the Asset Portfolio from Aldar (in its capacity as Owner) to the Trustee under the Musataha Agreement; or (ii) the New Assets from Aldar (in its capacity as Owner) to the Trustee pursuant to the exercise of the Sale Undertaking (including the grant of the musataha interest in such New Assets), is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason (other than as a result of a Total Loss Event, or Partial Loss in respect of the relevant Aldar Asset, occurring on or prior to the date of the sale, grant, and/or assignment) (the "**Initial Defective Grant**"); or

(b) the sale and purchase, or transfer and assignment, of any of: (i) the Aldar Assets comprising the Asset Portfolio or the Change of Control Aldar Assets pursuant to the exercise (or purported exercise, as the case may be) of the Purchase Undertaking by the Trustee or the Delegate (as applicable); or (ii) the Aldar Assets comprising the Asset Portfolio, the Cancellation Assets, the New Assets or the Substituted Assets pursuant to the exercise (or purported exercise, as the case may be) of the Sale Undertaking by Aldar, is not valid or effective, or becomes invalid or ineffective, in whole or in part, in any jurisdiction for any reason (other than as a result of a Total Loss Event, or Partial Loss in respect of the relevant Aldar Asset, occurring on or prior to the date of the sale and purchase, or transfer and assignment), including without limitation by reason of any Initial Defective Grant (a "**Subsequent Defective Grant**"),

and as a result of either the Initial Defective Grant or a Subsequent Defective Grant, the Trustee or the Delegate (as applicable) is unable to realise in full, or does not actually receive in full, the relevant Exercise Price which is expressed to be due and payable under the Purchase Undertaking at the relevant time, Aldar shall:

(A) in respect of the Initial Defective Grant, immediately on demand, make payment to the Trustee or the Delegate (as applicable) (each acting on behalf of the Certificateholders) of an amount equal to the Musataha Consideration (as defined in the Musataha Agreement) (or an amount equal to the value of the relevant New Assets (as defined in the Sale Undertaking), as applicable by way of restitution; and

(B) in respect of any Subsequent Defective Grant, immediately on demand, indemnify the Trustee or the Delegate (as applicable) (each acting on behalf of the Certificateholders) for the payment in full of the relevant Exercise Price expressed to be due and payable under the Purchase Undertaking or the Sale Undertaking (as the case may be) at the relevant time (without double counting any amounts actually received pursuant to paragraph (A) above).

In addition, if Aldar fails to pay all or part of any Exercise Price that is due in accordance with the Purchase Undertaking and **provided that** no Sale Agreement has been entered into, then the Lease Term shall be deemed to be extended until the Exercise Price is paid in full.

Aldar will expressly declare in the Purchase Undertaking that:

(a) the relevant Exercise Price represents a fair price for the purchase of all of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio or the Change of Control Aldar Assets, as the case may be;

(b) it shall irrevocably and unconditionally fully accept all or any interest the Trustee may have in the Asset Portfolio or the Change of Control Aldar Assets, as the case may be, and, accordingly, shall not dispute or challenge all or any interest the Trustee may have in any way; and

(c) if it breaches any declaration or undertaking set out above or if it or any administrator, liquidator or receiver of it disputes or challenges the rights, benefits and entitlements of the Trustee in, to and under the Asset Portfolio or the Change of Control Aldar Assets, as the case may be, Aldar shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the relevant Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

Aldar will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless the deduction or withholding is imposed or levied by or on behalf of any relevant taxing authority and (save as set out therein) without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, Aldar shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made. The payment obligations of Aldar under the Purchase Undertaking will be direct, unconditional and unsecured obligations of Aldar which rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of Aldar, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Aldar has agreed in the Purchase Undertaking that it shall comply with the covenants more particularly described in Condition 5 (*Negative Pledge and Other Covenants*)

Sale Undertaking

The Sale Undertaking will be executed as a deed on the Closing Date by Sukuk Funding (No. 3) Limited (in its capacity as Trustee) in favour of Aldar and will be governed by English law.

Provided there has been no Total Loss Event and subject to the Trustee being entitled to redeem the Certificates for tax reasons in accordance with Condition 14.2 (*Capital Distributions of the Trust—Early Dissolution for Tax Reasons*), Aldar may, by exercising its right under the Sale Undertaking and serving an exercise notice on the Trustee no later than 30 days prior to the relevant Dissolution Date, be able to oblige the Trustee to sell all of its rights, interests, benefits and entitlements in, to and under the Asset Portfolio (including the musataha interest granted in respect of such assets) at the Exercise Price. In addition, if following the occurrence of a Change of Control Event, 75 per cent. or more in face amount of the Certificates are redeemed pursuant to Condition 14.3 (*Capital Distributions of the Trust—Dissolution at the option of the Certificateholders (Change of Control Put Option)*), Aldar may, by exercising its right under the Sale Undertaking and serving an exercise notice on the Trustee within 30 days of the Change of Control Put Option Date, oblige the Trustee to sell all of its rights, interests, benefits and entitlements in, to and under the Asset Portfolio (including the musataha interest granted in respect of such assets) at the Exercise Price. For these purposes, the Exercise Price will have the same meaning as in the Purchase Undertaking.

Aldar will be able to exercise its rights under the Sale Undertaking to effect the substitution of Aldar Assets, subject to any New Assets being of a Value not less than the Value of the Substituted Assets (as defined in the Sale Undertaking). Aldar will also be able to exercise its rights under the Sale Undertaking (following any purchase of Certificates by Aldar or any Subsidiary of Aldar pursuant to Condition 14.6 (*Capital Distributions of the Trust—Cancellations*)) to provide for the transfer of the Cancellation Assets (as defined in the Sale Undertaking) with an aggregate Value not greater than the aggregate face amount of the Certificates so purchased, in consideration for the cancellation of such Certificates by the Principal Paying Agent pursuant to the Conditions.

Declaration of Trust

The Declaration of Trust will be entered into by way of a deed on the Closing Date between Aldar, Sukuk Funding (No. 3) Limited (in its capacity as Trustee) and the Delegate and will be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates, the Declaration of Trust shall constitute the Trust declared by the Trustee in relation to the Certificates.

The Trust Assets will comprise, *inter alia*: (a) all of the Trustee's rights, interest and benefit, present and future, in, to and under the Asset Portfolio; (b) all of the Trustee's rights, interest and benefit, present and future, in, to and under the Transaction Documents (excluding: (i) any representations given by Aldar to the Trustee and the Delegate pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee or the Delegate in any of the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to Clause 17.1 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (c) all monies standing to the credit of the Transaction Account; and all proceeds of the foregoing, which are held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the terms of the Declaration of Trust and the Conditions.

The Declaration of Trust will specify that, on or after the Dissolution Date, the rights of recourse in respect of the Certificates shall be limited to the amounts from time to time available and comprising the Trust Assets, subject to the priority of payments set out in the Declaration of Trust, the Certificates and the Conditions. The Certificateholders have no claim or recourse against the Trustee, the Delegate, the Agents or any other person (including Aldar) in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the Certificateholders *pro rata* on an undivided basis according to the face amount of Certificates held by each such Certificateholder in accordance with the provisions of the Declaration of Trust; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee will, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders, irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), to exercise all of the rights of the Trustee under the Transaction Documents and the Conditions (**provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation). The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee's continuing role and obligations as trustee.

The Delegate will undertake in the Declaration of Trust that upon the occurrence of a Dissolution Event and the delivery of a Dissolution Notice by the Delegate pursuant to Condition 15 (*Dissolution Events*), to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 15 (*Dissolution Events*) and subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), it shall (acting on behalf of Certificateholders and subject to being indemnified and/or secured and/or prefunded to its satisfaction) take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking against Aldar and/or the Service Agency Agreement against the Service Agent; and/or

(b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 16.2 (*Enforcement – Delegate not obliged to take action*), the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or Aldar to enforce their respective obligations under the Transaction Documents, the Conditions and the Certificates.

The Declaration of Trust specifies, *inter alia*, that:

(a) upon the Certificates having been declared due and payable in accordance with the Declaration of Trust (as specified above) and the Conditions, all payments in respect of the Certificates shall be made, and all rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders) under the Transaction Documents shall be exercised;

(b) following the enforcement, realisation of the Trust Assets and ultimate distribution of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and, the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including Aldar, to the extent its obligations under the Transaction Documents have been satisfied) to recover any such sum or asset in respect of the Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee;

(c) Subject to (b) above, no Certificateholder shall be entitled to proceed directly against or provide instructions to the Delegate to proceed against, the Trustee or Aldar under any Transaction Document to which either of them is a party unless: (a) the Delegate fails to do so within a reasonable period of becoming so bound and such failure its continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or Aldar as the case may be) holds at least 20 per cent. of the then outstanding aggregate face amount of the Certificates. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets, and the sole right of the Delegate and the Certificateholders against the Trustee and Aldar shall be to enforce their respective obligations under the Transaction Documents;

(d) subject to Clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust, neither the Trustee nor the Delegate shall be bound in any circumstances to take any action, proceeding or step to enforce or to realise the Trust Assets or take any action against (in the case of the Delegate) the Trustee and/or Aldar and (in the case of the Trustee) Aldar under any Transaction Document to which either of the Trustee or Aldar is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing **provided that** neither the Trustee nor the Delegate shall be liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders; and

(e) paragraphs (b), (c) and (d) above are subject to this paragraph (e). After distributing the proceeds of the Trust Assets in accordance with Condition 6.2 (*The Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee and the Delegate in respect of such Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee nor shall any of them have any claim in respect of the Trust Assets of any other trust established by the Trustee.

Agency Agreement

The Agency Agreement will be entered into on the Closing Date between the Trustee, Aldar, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Agency

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to complete, authenticate and deliver the Global Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums due under such Global Certificate; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to make all calculations and determinations in relation to amounts due under the Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

Issue of Global Certificate

On the Closing Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver, on the Closing Date, the Global Certificate to the Common Depositary.

Payments

The Trustee will pay in freely transferable, cleared funds to the Transaction Account opened by the Trustee with the Principal Paying Agent, any payment which becomes due in respect of a Certificate in accordance with the Conditions.

The Principal Paying Agent will notify the Trustee and the Delegate if the Trustee has not made any payment or if it pays the full amount of any sum payable after the date specified for such payment. If the Principal Paying Agent decides in its discretion that the amounts are not sufficient to make a payment then neither the Principal Paying Agent nor any other Paying Agent is obliged to pay any sums to Certificateholders until the Principal Paying Agent has received the full amount.

The Principal Paying Agent is entitled to treat the registered holder of any Certificate as the absolute owner for all purposes.

Determinations and Notifications

The Calculation Agent shall determine any Periodic Distribution Amount payable and the applicable Periodic Distribution Date in respect of each Return Accumulation Period. The Calculation Agent shall notify the Trustee, Aldar, the Delegate and each Agent by facsimile of each Periodic Distribution Amount for each Return Accumulation Period and the related Periodic Distribution Date and any other amount(s) required to be determined by it together with any relevant payment date(s) as soon as practicable after the determination thereof, but in any event not later than the first date of the relevant Return Accumulation Period.

Changes in Agents

The Trustee may at any time vary or terminate the appointment of any Agent and to appoint additional or other Agents by giving, *inter alia*, such Agent at least 60 days' prior written notice to that effect, **provided that**: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity) and a Calculation Agent; (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments under those Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

United Arab Emirates

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Certificates is based on the taxation law in force at the date of this Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments made by Aldar and/or the Trustee under the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by Aldar under any Transaction Document to which it is party, Aldar has undertaken in Condition 11 (*Taxation*) to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) and (ii) Aldar has undertaken under the Purchase Undertaking, the Sale Undertaking and the Service Agency Agreement to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

The Cayman Islands

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Certificates under the laws of their country of citizenship, residence or domicile. The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of Periodic Distribution Amounts and principal, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Certificates. An instrument of transfer in respect of a Certificate is stampable if executed in or brought into the Cayman Islands.

The Trustee has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands that no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of certain payments paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35.0 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories including Switzerland have adopted similar measures with effect from the same date.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The proposed Financial Transactions Tax ("FTT")

The European Commission recently published a proposal for a Directive for a common financial transaction tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. The tax would be applicable from 1 January 2014.

The proposed FTT has very broad, potentially extraterritorial scope. It would apply to financial transactions where at least one party is a financial institution and: (a) one party is established in a participating Member State; or (b) the financial instrument which is subject to the transaction is issued in a participating Member State. A financial institution may be, or be deemed to be, "established" in a Member State in a broad range of circumstances.

In relation to many secondary market transactions in bonds, the FTT would be charged at a minimum rate of 0.1 per cent. on each financial institution which is party to the transaction. The issuance and subscription of the Certificates should, however, be exempt. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds (for instance, cleared transactions) could be greatly in excess of 0.1 per cent.

A person transacting with a financial institution which fails to account for FTT would be jointly and severally liable for that tax.

The FTT proposal remains subject to negotiation between the Member States, and may therefore be altered. Additional Member States may decide to participate. Prospective holders of the Certificates are strongly advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 27 November 2013 between the Trustee, Aldar, Dubai Islamic Bank PJSC, First Gulf Bank PJSC, Goldman Sachs International, National Bank of Abu Dhabi PJSC and Standard Chartered Bank (together, the "**Joint Lead Managers**") and Abu Dhabi Islamic Bank PJSC and Union National Bank PJSC (the "**Senior Co-Lead Managers**" and, together with the Joint Lead Managers, the "**Managers**"), the Trustee has agreed to issue and sell to the Managers U.S.$750,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Managers have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. The Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. Certain of the Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and Aldar has agreed to indemnify certain of the Managers against certain liabilities incurred in connection with the issue of the Certificates.

SELLING RESTRICTIONS

United States

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented that it has not offered or sold, and agrees that it will not offer or sell, any Certificates (a) as part of its distribution at any time or (b) until 40 days after the later of the commencement of the offering and the Closing Date within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged in or will engage in any directed selling efforts with respect to the Certificates. Terms used in this paragraph have the meaning given to them by Regulation S.

The Certificates are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or Aldar; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered and sold and will not, directly or indirectly, offer or sell Certificates in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws, regulations and ministerial guidelines of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires Certificates pursuant to any offering should note that the offer of Certificates is being made as a private placement by way of an "offer restricted to sophisticated investors" pursuant to Article 10 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"). The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations. Each Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates as a Sophisticated Investor may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 10 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Kingdom of Bahrain

This Prospectus does not constitute an offer to: (i) the Public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001 of Bahrain)) in the Kingdom of Bahrain; or (ii) any person in the Kingdom of Bahrain who is not an "accredited investor".

For this purpose, an "accredited investor" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Each Manager has represented, warranted and undertaken that it has not offered, and will not offer, Certificates: (i) to the Public in the Kingdom of Bahrain except pursuant to the provisions of Articles 80-85 of the Central Bank of Bahrain and Financial Institutions Law; and (ii) except on a private placement basis to persons in the Kingdom of Bahrain who are accredited investors.

Qatar (excluding the Qatar Financial Centre)

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Certificates in the State of Qatar, except: (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and the Certificates will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Manager has represented and agreed that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription to purchase, of any Certificates, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor pursuant to Section 274 of the SFA, or (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Certificates pursuant to an offer under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law; or

(d) pursuant to Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Malaysia

Each Manager has represented and agreed that:

(a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the "**SC**") under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"). While a copy of the Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and

(b) accordingly, the Certificates have not been and will not be issued, offered for subscription or purchase, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may this Prospectus, any application or the Certificates nor any document or other material in connection with the offering, the Prospectus or the Certificates be circulated or distributed in Malaysia, other than to persons falling within Schedule 6 or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b), and Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Cayman Islands

Each Manager has represented and agreed that no invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Certificates.

Switzerland

The Certificates may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations, a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). Neither this Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, Aldar or the Certificates have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the Certificates have not been registered, nor will be registered with, the Swiss Federal Market Supervisory Authority (FINMA) as foreign investment funds. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to purchasers of the Certificates.

General

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, Aldar, the Delegate and any other Manager shall have any responsibility therefor.

None of the Trustee, Aldar, the Delegate and any of the Managers represents that the Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Listing of the Certificates

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to be admitted to trading on the Main Securities Market. The listing of the Certificates is expected to be granted on or before 3 December 2013. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in connection with the Certificates and is not itself seeking admission of the Certificates to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Authorisation

The issuance of the Certificates has been duly authorised by a resolution of the board of directors of the Trustee dated 26 November 2013. The entry by Aldar into the Transaction Documents to which it is a party was duly authorised by a resolution of the board of directors of Aldar on 6 November 2013. Each of the Trustee and Aldar has obtained all necessary consents, approvals and authorisations in connection with the issuance of the Certificates and entry into of the Transaction Documents (as applicable) to which each is a party.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code XS0993959583 and ISIN 099395958.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since 10 October 2013, being the date of its incorporation.

Since 30 September 2013, there has been no significant change in the financial or trading position of Aldar, and, since 31 December 2012, there has been no material adverse change in the prospects of Aldar.

Litigation

The Trustee is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) which may have or have had since 10 October 2013 (being the date of incorporation of the Trustee) a significant effect on the financial position or profitability of the Trustee.

Neither Aldar nor any of its respective Subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Aldar is aware) which may have or have had during the twelve months prior to the date of this Prospectus a significant effect on the financial position or profitability of Aldar or the Group.

Expenses

The expenses relating to the admission to trading of the Certificates on the Main Securities Market are expected to amount to €4,940.

Auditors

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

The consolidated financial statements of Aldar for the years ended 31 December 2012 and 2011 have been audited without qualification in accordance with IFRS by Deloitte & Touche (M.E.) of Al Sila Tower, 11th Floor, Sowwah Square, PO Box 990 Abu Dhabi, United Arab Emirates as stated in its report included elsewhere in this Prospectus. Deloitte & Touche (M.E.) are independent auditors registered to practice as auditors with the Ministry of Economy in the UAE. The unaudited interim condensed consolidated financial statements of the Company as of and for the nine months ended 30 September 2013 have been reviewed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by Deloitte & Touche (M.E.) as stated in their report appearing elsewhere herein.

The consolidated financial statements of Sorouh for the years ended 31 December 2012 and 2011 have been audited without qualification in accordance with IFRS by Deloitte & Touche (M.E.) of Al Sila Tower, 11th Floor, Sowwah Square, P.O. Box 990 Abu Dhabi, United Arab Emirates as stated in its report included elsewhere in this Prospectus.

Third Party Information

Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as Aldar and the Trustee are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Auditor's report on the compilation of *pro forma* financial information

Deloitte & Touche (M.E.), a firm of independent auditors registered to practice as auditors with the Ministry of Economy in the UAE whose business address is Al Sila Tower, 11th Floor, Sowwah Square, PO Box 990 Abu Dhabi, United Arab Emirates, has given and not withdrawn its written consent to the inclusion in this Prospectus of the auditor's report on the compilation of *pro forma* financial information, in the form appended to this Prospectus, as well as references to its name and has authorised the contents of such part of this Prospectus.

Documents Available

Copies of the following documents will be available in physical format and in English to be inspected during normal business hours at the specified office for the time being of the Principal Paying Agent for the life of the Certificates from the date of this Prospectus:

(a) the Memorandum and Articles of Association of the Trustee and of Aldar;

(b) the unaudited interim condensed consolidated financial statements of Aldar for the nine months ended 30 September 2013, together with the review report prepared in connection therewith;

(c) the audited consolidated financial statements of Aldar for the years ended 31 December 2011 and 31 December 2012 in each case, together with the auditors' report prepared in connection therewith.

(d) the audited consolidated financial statements of Sorouh for the years ended 31 December 2011 and 31 December 2012 in each case, together with the auditors' report prepared in connection therewith;

(e) the most recently published audited consolidated financial statements of Aldar and the most recently published unaudited interim condensed consolidated financial statements (if any) of Aldar, in each case together with any audit or review reports prepared in connection therewith;

(f) a copy of this Prospectus; and

(g) the Transaction Documents (copies of which will also be available electronically from the Principal Paying Agent).

The Trustee is not required to, and does not intend to, publish any annual financial or interim financial statements.

The Prospectus is available for viewing on the website of the Central Bank of Ireland (http: www.centralbank.ie).

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Fatwa and *Shari'a* Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with *Shari'a* principles.

Managers transacting with Aldar

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Aldar (and its affiliates) and in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

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Financial Statements of the Group

ALDAR PROPERTIES PJSC

Review report and interim financial information for the period ended 30 September 2013

ALDAR PROPERTIES PJSC

Review report and interim financial information for the period ended 30 September 2013

FINANCIAL REVIEW

The financial information contained in this review is based on the condensed consolidated financial statements. The nature of and accounting policies for individual line items are detailed in Note 3 to the condensed consolidated financial statements. Extracts from the condensed consolidated statement of financial position, condensed consolidated income statement and condensed consolidated statement of cash flows are as follows:

Key condensed consolidated statement of financial position information	**30 September 2013 AED million (unaudited)**	31 December 2012 AED million (audited)
Property, plant and equipment	**3,299**	3,632
Investment properties	**11,432**	6,078
Development work in progress	**7,322**	4,223
Trade and other receivables	**13,241**	13,337
Cash and bank balances	**5,513**	2,260
Financing[(i)]	**14,353**	14,014
Net assets (total assets less total liabilities)	**16,238**	8,180

Key condensed consolidated income statement information	**9 months ended 30 September**	
	2013 AED million (unaudited)	2012 AED million (unaudited)
Revenue	**4,055**	9,825
Direct costs	**(2,627)**	(7,386)
Selling and marketing expenses	**(7)**	(8)
General and administrative expenses:		
Staff costs	**(159)**	(127)
Depreciation and amortisation	**(240)**	(334)
Provisions, impairments and write downs	**(1,080)**	(1,001)
Other general and administrative expenses	**(60)**	(31)
Gain on acquisition of assets	**2,591**	-
Fair value (loss)/gain on investment properties	**(313)**	195
Share of losses from associates and joint ventures	**(44)**	(15)
Gain on assets held for sale	**3**	-
Finance income	**137**	180
Finance costs	**(516)**	(638)
Other income	**80**	442
	1,820	1,102

Key condensed consolidated cash flow statement information	**9 months ended 30 September**	
	2013 AED million (unaudited)	2012 AED million (unaudited)
Net cash generated from operating activities	**4,600**	3,336
Net cash used in investing activities	**(237)**	(1,025)
Net cash used in financing activities	**(1,952)**	(4,805)
Cash and cash equivalents at the end of the period	**3,420**	877
Short term deposits and restricted balances with banks	**2,093**	1,205
Cash and bank balances at the end of the period	**5,513**	2,082

(i) *Financing is defined as outstanding balances from all borrowings and convertible and non-convertible bonds.*

FINANCIAL REVIEW (continued)

HIGHLIGHTS:

BUSINESS COMBINATION

On 27 June 2013, the Company issued shares as consideration for the acquisition of the net assets of Sorouh Real Estate PJSC (henceforth referred to as "Sorouh") to Sorouh's shareholders in the ratio of 1.288 new shares in the Company for each share held in Sorouh. The transaction was approved in the shareholders' meeting on 3 March 2013. The financial impact of this acquisition that was completed pursuant to UAE Commercial Companies Law Article 276(1) has been detailed in Note 21 to the condensed consolidated financial statements.

FINANCIAL RESULTS

The Group's consolidated net profit for the 9 months ended 30 September 2013 is AED 1,820 million compared to AED 1,102 million for the 9 months ended 30 September 2012. Revenue for the 9 months ended 30 September 2013 was AED 4,055 million, as compared to AED 9,825 million for the same period in 2012. Recurring revenues from investment properties and other operational businesses amounted to AED 1,242 million during the current period compared to AED 1,005 million in the same period of 2012. This increase was primarily due to the inclusion of additional recurring revenue during the quarter as a result of business combination and improved performance of the Group's operational assets including investment properties, operative villages, hotels and schools. The net assets of the Group grew by 98.5% in the 9 months ended 30 September 2013 compared to 31 December 2012, due primarily to the issuance of new shares as consideration pursuant to the business combination with Sorouh, and the conversion of convertible bonds, and the profit for the 9 months period.

At the end of the period, the Group had AED 6,263 million available cash and available undrawn facility.

OPERATIONAL ACHIEVEMENTS

- The Group recognised revenue on 777 residential units and 409,200 sqm of land plots.
- Agreement was reached with Arabtec Holding PJSC for the long-term lease of all of the offices at World Trade Center Abu Dhabi, which Aldar manages on behalf of the Government of Abu Dhabi.
- Three Building Completion Certificates were received during the quarter on the residential towers at The Gate, the 3,533-unit development on Al Reem Island, which will begin handover to customers in Q4 2013.
- At Al Rayyana, a major tenant has already begun to move into the development. Further leasing activity will commence in Q4 and there is already significant interest for bulk leases at the development.

ANALYSIS OF THE INCOME STATEMENT

Revenue

The Group's revenue was generated primarily from the sale of land and completed properties, rental income from investment properties and income from its operational businesses. The Group earned AED 2,813 million of revenues from property development activities, mainly from the sale of land plots, completed properties and construction. The decrease compared to 2012 was primarily due to exceptionally high revenues from residential units booked in 2012 following handovers at our largest residential development of Raha Beach.

The recurring revenue from the Group's investment properties, operative villages and other operational businesses amounted to AED 1,242 million for the period compared to AED 1,005 million for the same period in 2012. This increase is driven by the inclusion of recurring revenue acquired under business combination and higher occupancy in our Investment Properties portfolio, Hotels and Operative Villages.

Direct costs

For the 9 months ended 30 September 2013, direct costs include AED 1,709 million for the cost of land and properties sold, AED 22 million as project management costs and AED 811 million for the costs of operational business and investment properties. The overall decrease in direct costs is in line with the decrease in revenue.

FINANCIAL REVIEW (continued)

ANALYSIS OF INCOME STATEMENT (continued)

General and administrative expenses (excluding depreciation, amortisation and impairments)

General and administrative expenses (excluding depreciation, amortisation and impairments) were higher compared to the corresponding period mainly because the comparative numbers for 2012 does not include the expenses relating to the acquired business.

Finance income/costs

The Group's finance income comprises interest on bank deposits, profit on Islamic deposits and finance income from finance leases. The Group's finance costs comprise interest payments on its external financing and related hedging costs.

The Group had net finance costs of AED 378 million compared to net finance costs of AED 458 million for the same period in 2012. The decrease is in line with both a reduction in the Group's borrowings and cost of debt.

ANALYSIS OF FINANCIAL POSITION

Investment properties

Investment properties increased compared to December 2012 due to ongoing work on investment properties under development, mainly Yas Mall, and the addition of Sorouh's investment properties as a result of the business combination.

Development work in progress

Development work in progress as at 30 September 2013 increased compared to 31 December 2012 mainly due to the addition of Sorouh's development work in progress as a result of the business combination, offset by project costs impaired, the transfer of Al Bateen Villas and Apartments and Al Ward Villas to inventories upon completion, and disposals.

Trade and other receivables

The Group's receivables increased compared to the balance at 31 December 2012 mainly due to the addition of Sorouh's receivables as a result of the business combination, offset by collections from the Government of Abu Dhabi.

Financing

The Group's external financing at 30 September 2013 increased marginally to AED 14,353 million compared to AED 14,014 million due to the addition of Sorouh's financings as a result of the business combination, offset by the repayment of loans including the repayment of AED 3.75 billion Sukuk on 17 June 2013.

ANALYSIS OF CASH FLOWS

The Group had net cash inflows of AED 4,600 million from operating activities for the 9 months ended 30 September 2013. This was mainly due to the collection of receivables.

The Group's net cash outflows from investing activities for the 9 months ended 30 September 2013 are mainly attributable to additions in investment properties, increase in restricted bank deposits and increase in term deposits with original maturities above three months. This has been offset by cash acquired as a result of the business combination.

Net cash outflows from financing activities for the period are mainly due to net repayment of existing borrowings, related finance costs and profit distribution on Islamic bonds, and the payment of dividends.

Greg Fewer
Chief Financial Officer
6 November 2013

Deloitte.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Aldar Properties PJSC
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aldar Properties PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as of 30 September 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "*Interim Financial Reporting* (IAS 34)". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)

Mutasem M. Dajani
Registration Number 726
6 November 2013

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Member of Deloitte Touche Tohmatsu Limited

Condensed consolidated statement of financial position as at 30 September 2013

	Notes	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,299,317	3,632,232
Intangible assets		2,553	3,017
Investment properties	6	11,431,612	6,078,113
Investment in associates and joint ventures	7	995,335	716,067
Available-for-sale financial assets	8	91,103	151,461
Trade and other receivables	9	3,265,783	5,785,829
Total non-current assets		19,085,703	16,366,719
Current assets			
Development work in progress	10	7,321,528	4,222,729
Inventories	11	1,201,428	1,640,300
Land held for resale		1,751,832	-
Trade and other receivables	9	9,975,438	7,551,186
Cash and bank balances	12	5,513,281	2,259,773
Total current assets		25,763,507	15,673,988
Total assets		44,849,210	32,040,707

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

Condensed consolidated statement of financial position as at 30 September 2013 (continued)

	Notes	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**7,862,630**	4,085,129
Share premium		**10,412,278**	7,984,873
Share issuance costs, net		**(79,920)**	(79,920)
Statutory reserve		**1,010,385**	1,010,385
Hedging reserve		**(51,093)**	(59,896)
Fair value reserve		**7,088**	7,088
Accumulated losses		**(3,223,340)**	(4,768,152)
Attributable to equity holders of the parent company		**15,938,028**	8,179,507
Non-controlling interests		**300,232**	-
Total equity		**16,238,260**	8,179,507
Non-current liabilities			
Interest-bearing loans and borrowings	13	**3,029,746**	8,128,730
Retentions payable		**220,420**	508,874
Provision for employees' end of service benefit		**96,520**	53,413
Security deposits		**1,998**	1,998
Other financial liabilities		**32,922**	39,378
Total non-current liabilities		**3,381,606**	8,732,393
Current liabilities			
Interest-bearing loans and borrowings	13	**11,322,802**	5,885,591
Retentions payable		**1,153,759**	651,879
Advances from customers	14	**3,913,250**	2,129,549
Trade and other payables	15	**8,835,301**	6,461,788
Other financial liabilities		**4,232**	-
Total current liabilities		**25,229,344**	15,128,807
Total liabilities		**28,610,950**	23,861,200
Total equity and liabilities		**44,849,210**	32,040,707

Abubaker Seddiq Al Khoori
Chairman

Greg Fewer
Chief Financial Officer

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

Condensed consolidated income statement for the period ended 30 September 2013

	Notes	3 months ended 30 September		9 months ended 30 September	
		2013	2012	**2013**	2012
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		AED'000	AED'000	**AED'000**	AED'000
Revenue		**1,168,451**	1,604,459	**4,054,695**	9,824,774
Direct costs		**(650,545)**	(776,606)	**(2,627,235)**	(7,386,096)
Gross profit		**517,906**	827,853	**1,427,460**	2,438,678
Selling and marketing expenses		**64**	2,876	**(7,210)**	(7,746)
General and administrative expenses:					
Staff costs		**(73,138)**	(33,665)	**(158,551)**	(127,002)
Depreciation and amortisation		**(48,522)**	(113,339)	**(240,142)**	(333,601)
Provisions, impairments and write downs	16	**(429)**	(932,122)	**(1,080,444)**	(1,001,361)
Other general and administrative expenses		**(30,257)**	(6,371)	**(59,605)**	(31,266)
Share of (loss)/income from associates and joint ventures	7	**7,274**	(15,213)	**(44,367)**	(14,876)
Gain on disposal of investment in associate		**-**	-	**3,018**	-
Gain on business combination	21	**-**	-	**2,590,782**	-
Fair value (loss)/gain on investment properties	6	**89,678**	195,000	**(312,959)**	195,000
Finance income		**46,959**	47,510	**137,480**	179,605
Finance costs	17	**(166,846)**	(206,934)	**(515,535)**	(637,640)
Other income		**70,591**	440,071	**79,579**	441,969
Profit for the period		**413,280**	205,666	**1,819,506**	1,101,760
Attributable to:					
Owners of the Company		**407,483**	205,666	**1,813,709**	1,101,760
Non-controlling interests		**5,797**	-	**5,797**	-
Profit for the period		**413,280**	205,666	**1,819,506**	1,101,760
Basic and diluted earnings per share in AED per share	18	**0.05**	0.05	**0.29**	0.25

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

Condensed consolidated statement of comprehensive income for the period ended 30 September 2013

	3 months ended 30 September		9 months ended 30 September	
	2013 (unaudited) AED'000	2012 (unaudited) AED'000	**2013 (unaudited) AED'000**	2012 (unaudited) AED'000
Profit for the period	**413,280**	205,666	**1,819,506**	1,101,760
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Changes in fair value of cash flow hedges	**(225)**	(12,917)	**10,328**	(14,293)
Loss on hedge transferred to the income statement	**-**	1,586	**(1,525)**	1,546
Items that will not be reclassified subsequently to profit or loss:				
Directors' remuneration	**-**	-	**-**	(16,000)
Other comprehensive income/(loss)	**(225)**	(11,331)	**8,803**	(28,747)
Total comprehensive income for the period	**413,055**	194,335	**1,828,309**	1,073,013
Total comprehensive income attributable to:				
Owners of the Company	**407,258**	194,335	**1,822,512**	1,073,013
Non-controlling interest	**5,797**	-	**5,797**	-
	413,055	194,335	**1,828,309**	1,073,013

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

Condensed consolidated statement of changes in equity for the period ended 30 September 2013

	Share capital AED'000	Share premium AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Attributable to the equity holders of the parent company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2012 (audited)	4,085,129	7,984,873	(79,920)	876,319	(52,968)	34,630	(5,754,488)	7,093,575	-	7,093,575
Profit for the period	-	-	-	-	-	-	1,101,760	1,101,760	-	1,101,760
Other comprehensive income	-	-	-	-	(12,747)	-	(16,000)	(28,747)	-	(28,747)
Dividends declared	-	-	-	-	-	-	(204,256)	(204,256)	-	(204,256)
Balance at 30 September 2012 (unaudited)	4,085,129	7,984,873	(79,920)	876,319	(65,715)	34,630	(4,872,984)	7,962,332	-	7,962,332
Balance at 1 January 2013 (audited)	4,085,129	7,984,873	(79,920)	1,010,385	(59,896)	7,088	(4,768,152)	8,179,507	-	8,179,507
Dividend for the year 2012	-	-	-	-	-	-	(268,897)	(268,897)	-	(268,897)
Profit for the period	-	-	-	-	-	-	1,813,709	1,813,709	5,797	1,819,506
Other comprehensive income	-	-	-	-	8,803	-	-	8,803	-	8,803
Conversion of bonds into shares (Note 13)	396,501	297,375	-	-	-	-	-	693,876	-	693,876
Issue of shares as consideration for the acquisition of Sorouh (Note 21)	3,381,000	2,130,030	-	-	-	-	-	5,511,030	-	5,511,030
Non-controlling interests arising on the acquisition of Sorouh (Note 21)	-	-	-	-	-	-	-	-	294,435	294,435
Balance at 30 September 2013 (unaudited)	**7,862,630**	**10,412,278**	**(79,920)**	**1,010,385**	**(51,093)**	**7,088**	**(3,223,340)**	**15,938,028**	**300,232**	**16,238,260**

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

Condensed consolidated statement of cash flows
for the period ended 30 September 2013

	9 months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	AED'000	AED'000
Net cash generated from operating activities	**4,599,994**	3,336,016
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(21,451)**	(20,790)
Proceeds from disposal of property, plant and equipment	**-**	39
Payments for purchases of intangible assets	**(586)**	(229)
Payments for investment properties	**(968,033)**	(643,542)
Payments for investments in associates and joint ventures	**(89,400)**	-
Payments for available-for-sale financial instruments	**(3,896)**	(10,485)
Movement in term deposits with original maturities above three months	**(331,948)**	1,593
Cash acquired on business combination	**1,521,478**	-
Proceeds from disposal of investment in associate	**122,474**	-
Movement in restricted bank balances	**(511,003)**	(419,716)
Finance income received	**18,160**	27,923
Dividends received	**27,091**	39,945
Net cash used in investing activities	**(237,114)**	(1,025,262)
Cash flows from financing activities		
Dividends paid	**(212,244)**	(210,119)
Proceeds from borrowings	**3,617,300**	800,000
Repayments of borrowings	**(4,867,965)**	(4,728,008)
Financing costs paid	**(489,414)**	(605,957)
Issue costs paid	**-**	(45,000)
Directors' remuneration paid	**-**	(16,000)
Net cash used in financing activities	**(1,952,323)**	(4,805,084)
Net increase/(decrease) in cash and cash equivalents	**2,410,557**	(2,494,330)
Cash and cash equivalents at the beginning of the period	**1,009,275**	3,371,176
Cash and cash equivalents at the end of the period (Note 12)	**3,419,832**	876,846

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

Notes to the condensed consolidated financial statements for the period ended 30 September 2013

1 General information

The establishment of Aldar Properties PJSC ("the Company") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005.

The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 51133, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as the "Group") are engaged in various businesses primarily development, sales, investment, construction, management and associated services for real estate. In addition, the Group is also engaged in development, management and operation of hotels, schools, marinas, golf courses and theme parks.

On 27 June 2013, the Company issued shares as consideration for the acquisition of the net assets of Sorouh Real Estate PJSC (henceforth referred to as "Sorouh") to Sorouh's shareholders in the ratio of 1.288 new shares in the Company for each share held in Sorouh. The transaction was approved in the shareholders' meeting on 3 March 2013. The impact of the acquisition on these condensed consolidated financial statements has been detailed in Note 21.

2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

The Group has not yet adopted the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015
IFRS 9 *Financials Instruments* (as revised in 2010)	1 January 2015
IFRS 10 *Consolidated Financial Statements* – Amendments for Investment entities	1 January 2014

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 12 *Disclosure of Interests in Other Entities* – Amendments for Investment entities	1 January 2014
IAS 27 *Separate Financial Statements* – Amendments for Investment entities	1 January 2014
IAS 36 *Impairment of Assets* – Amendments arising from recoverable amount disclosures for financial assets	1 January 2014
IAS 39 *Financial instruments* – Recognition and Measurement amendments for novations of derivatives	1 January 2014
IFRIC 21 – *Levies*	1 January 2014

Management anticipates that the adoption of these IFRSs in future period will have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 Summary of significant accounting policies

3.1 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) no. 34 *Interim Financial Reporting* issued by International Accounting Standards Board and also comply with the applicable requirements of the laws in the UAE.

3.2 Basis of preparation

The condensed consolidated financial statements are presented in UAE Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments and investment properties.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investments in associates and joint ventures, investment properties, development work in progress, inventories, land held for resale, financial assets and derivative financial instruments have been disclosed in Notes 3.3 to 3.12 below.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those applied to the audited annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective 1 January 2013.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
IAS 19 *Employee Benefits* (as revised in 2011)	IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised.
IAS 27 *Separate Financial Statements* (as revised in 2011)	The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	This Standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* relating to accounting for government loans at below market interest rate	Amends IFRS 1 to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans.
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting financial assets and liabilities	Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 *Financial Instruments: Presentation*.
IFRS 10 *Consolidated Financial Statements*	The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').
IFRS 11 *Joint Arrangements*	Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
IFRS 12 *Disclosure of Interests in Other Entities*	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

New and revised IFRSs	Summary of requirement
IFRS 13 *Fair Value Measurement*	IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs, Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, Level 3 - unobservable inputs for the asset or liability. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.
Annual Improvements 2009 – 2011 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	Makes amendments to the following standards: IFRS 1 - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets, IAS 1 - Clarification of the requirements for comparative information, IAS 16 - Classification of servicing equipment, IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes, IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and the following entities:

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties.
Al Jimi Mall LLC	100%	UAE	Development and management of investment property.
Addar Real Estate Services LLC	100%	UAE	Property development.
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of, and investment in, properties.
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services.
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services.
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings.
Farah Leisure Parks Management LLC*	100%	UAE	Supervise, manage and operate theme parks.
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services.
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery.
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities.
Nareel Island Development Company LLC	100%	UAE	Development and management of, and investment in, properties and related activities.
Yas Marina LLC	100%	UAE	Ownership, development and management of marinas and related activities.
Yas Yacht Club LLC	100%	UAE	Management of yachts and marine sports.
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels.
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs.
Al Muna Primary School LLC	100%	UAE	Providing educational services.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Gate Towers Shams Abu Dhabi LLC**	100%	UAE	Development of Gate Towers
Sorouh Abu Dhabi Real Estate LLC**	100%	UAE	Act as Mudarib in accordance with the Sukuk Issue structure
Sorouh International Limited**	100%	UAE	Holding company of foreign entities
Sorouh International Development Limited**	100%	UAE	Development of properties and real estate
Sorouh International Morocco Limited**	100%	UAE	Development of properties and real estate
Lulu Island for Project Development LLC**	100%	UAE	Development of properties and real estate
Tilal Liwa Real Estate Investing LLC**	100%	UAE	Property, rental and management
Al Seih Real Estate Management LLC**	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC**	91.4%	UAE	Property rental and management; real estate projects investment
Sorouh Egypt for Investment and Tourism Development SAE**	80%	Egypt	Investment in tourism activity
Khidmah LLC**	60%	UAE	Management and leasing of real estate
Pivot Engineering & General Contracting Co. (WLL) **	60%	UAE	Engineering and general construction works

* Disposed of during the period.
** Subsidiaries acquired through business combination.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised are carried in the condensed consolidated statement of financial position at cost and as adjusted thereafter to recognise for post-acquisition changes in the Group’s share of the profit or loss and other comprehensive income of the associate and joint venture.

Losses of an associate or joint venture in excess of the Group’s interest in that associate or joint venture (which includes any long term interests that, in substance, form part of the Group’s net investment in associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Where an entity in the Group transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associate or joint venture.

3 Summary of significant accounting policies (continued)

3.6 Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.7 Investment property

Investment property comprises completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment property is measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

3.8 Development work in progress

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

Notes to the condensed consolidated financial statements
for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.9 Inventories

Inventories comprise mainly completed properties held for sale in the ordinary course of business. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction/acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

3.10 Land held for resale

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

3.11 Financial assets

Financial assets are classified into the following specified categories: “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks (excluding deposits held under lien) with original maturities of three months or less.

AFS financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at their fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve in equity, with the exception of impairment losses, interest calculated using effective interest method and foreign exchange gains and losses on monetary assets which are recognised in the profit or loss.

Where the AFS investment is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously accumulated in the investment revaluation reserve is reclassified to the profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

3 Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets

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

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

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

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

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

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.12 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps and interest rate caps.

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently remeasured at fair value at each reporting date. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3 Summary of significant accounting policies (continued)

3.12 Derivative financial instruments (continued)

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

Hedge accounting

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss 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 is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

3 Summary of significant accounting policies (continued)

3.12 Derivative financial instruments (continued)

Cash flow hedges (continued)

Interest rate caps are measured at fair value, with changes in time value recognised in the same line of the profit or loss as the recognised hedged item. Changes in intrinsic value are recognised in other comprehensive income and accumulated in hedging reserve in equity.

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2012 other than the following new judgments applied in these condensed consolidated financial statements:

4.1 Determination of the effective date of the acquisition (refer to Note 21.3)

4.2 Recognition of the infrastructure government grant (refer to Note 19.1 (c))

5 Property, plant and equipment

The movement in property, plant and equipment includes assets with a fair value of AED 138.4 million acquired under a business combination (Note 21.1) and reduced by depreciation charge for the period of AED 242.0 million.

In June 2013, as a result of the softness in current and forecasted ADRs in the Hotels segment and the recent market prices in Abu Dhabi, the Group revised their business plan and strategy and carried out a review of the recoverable amount of the Hotels based on the revised cash flow forecasts. The revised value in use led to the recognition of an impairment loss of AED 250.8 million (Note 16), which has been recognised in profit or loss. The discount rate used in measuring the value in use was 10.5%.

All of the Group's property, plant and equipment are located in the United Arab Emirates.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

6 Investment properties

Investment properties comprise completed properties (buildings and retail centers) and properties under development at fair value. The movement during the period/year is as follows:

	30 September 2013 (unaudited)			31 December 2012 (audited)		
	Completed properties AED'000	Properties under development AED'000	Total AED'000	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the period/year (audited)	3,403,959	2,674,154	6,078,113	3,413,998	2,586,677	6,000,675
Acquired under business combination (Note 21.1)	3,560,690	1,012,584	4,573,274	-	-	-
Development costs incurred during the period/year	4,298	963,613	967,911	46,041	936,048	982,089
Finance cost capitalised, net (Note 17)	-	118,686	118,686	-	95,608	95,608
Decrease in fair value, net	(87,597)	(225,362)	(312,959)	(165,716)	(4,230)	(169,946)
Transfer upon completion	33,770	(33,770)	-	22,667	(22,667)	-
Transfers from/(to):						
Property, plant and equipment	-	-	-	19,646	-	19,646
Development work in progress (Note 10)	-	6,587	6,587	67,323	(890,592)	(823,269)
Inventories	-	-	-	-	(1,416)	(1,416)
Trade and other receivables	-	-	-	-	(25,274)	(25,274)
Balance at the end of the period/year	6,915,120	4,516,492	11,431,612	3,403,959	2,674,154	6,078,113

All investment properties are located in the United Arab Emirates.

7 Investments in associates and joint ventures

The movement in the investment in associates and joint ventures is as follows:

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Balance at the beginning of the period/year	716,067	647,118
Additions	89,400	150
Acquired under business combination (Note 21.1)	219,197	-
Transfer from available for sale investments (i)	160,000	-
Share of (loss)/income from associates and joint ventures	(44,367)	121,489
Share in hedging reserve	6,338	(4,983)
Unrealised (losses)/profits	(18,470)	625
Dividends received	(22,152)	(58,000)
Transferred to due from joint ventures	8,778	9,668
Disposals	(119,456)	-
Balance at the end of the period/year	995,335	716,067

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

7 Investment in associates and joint ventures (continued)

(i) Both Aldar and Sorouh held 16% holdings in a common investment which was previously classified as an available for sale financial asset. Subsequent to the acquisition, with a combined holding of 32%, this investment has been reclassified as an investment in an associate. Accordingly, AED 160 million was reclassified from available for sale financial assets to investments in associates and a loss of AED 45 million was recorded in the income statement under share of (loss)/income from associates and joint ventures to reflect the required equity accounting catch up. This adjustment was based on the latest available financial information of the investee company.

8 Available-for-sale financial assets

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Investment in UAE unquoted securities	**55,875**	120,675
Investment in international unquoted securities	**35,228**	30,786
	91,103	151,461

During the period, dividend income of AED 4.9 million was received from available-for-sale financial assets (31 December 2012: AED 4.2 million).

As a result of the acquisition of Sorouh, an available-for-sale financial asset has been reclassified to an investment in associate as detailed in Note 7 (i).

9 Trade and other receivables

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Non-current portion		
Trade receivables	**257,993**	6,935
Less: Provision for impairment and cancellations	**(6,935)**	(6,935)
	251,058	-
Receivable from project finance (Note 19)	**467,881**	369,478
Receivable from the Government of Abu Dhabi (Note 19)	**2,434,683**	5,298,034
Due from joint ventures (Note 19)	**112,161**	118,317
	3,265,783	5,785,829

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

9 Trade and other receivables (continued)

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Current portion		
Trade receivables	**2,765,845**	561,881
Less: Provision for impairment and cancellations	**(548,870)**	(107,884)
	2,216,975	453,997
Refundable costs (Note 19)	**2,769,752**	4,601,270
Receivable from the Government of Abu Dhabi (Note 19)	**3,835,636**	1,437,184
Receivable from project finance (Note 19)	**96,800**	123,544
Due from joint ventures (Note 19)	**331,286**	1,493
Due from a related party (Note 19)	**-**	52,534
Advances and prepayments	**346,826**	325,757
Accrued interest	**30,613**	652
Others	**347,550**	554,755
	9,975,438	7,551,186

During the period, the Group was informed by the relevant authority that certain refundable costs would not be reimbursed. This has resulted in a write-off of AED 219.6 million (Note 16).

10 Development work in progress

Development work in progress represents development and construction costs incurred on properties being developed for sale. Movement during the period/year is as follows:

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Balance at beginning of the period/year (audited)	**4,222,729**	7,133,911
Acquired under business combination (Note 21.1)	**4,565,100**	-
Developments during the period/year, net	**190,749**	477,231
Finance costs capitalised during the period/year, net	**24,293**	9,879
Write down during the period/year	**(572,337)**	-
Depreciation capitalised during the period/year	**-**	977
Transfers from/(to):		
Investment properties (Note 6)	**(6,587)**	823,269
Refundable costs	**(18,431)**	(357,755)
Projects completed during the period/year:		
Transferred to inventories	**(801,877)**	(3,079,629)
Disposals (recognised in direct costs)	**(282,111)**	(1,219,335)
Transfer upon acquisition of a subsidiary, net	**-**	434,181
Balance at the end of the period/year	**7,321,528**	4,222,729

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

10 Development work in progress (continued)

All development work in progress projects are located in the United Arab Emirates, except for a project in Egypt which remains in the pre-development phase.

In June 2013, management became aware of a building height restriction from the Government authority that impacts one of the Company's projects. The restriction has a direct impact on developable gross floor area (GFA). As a result, the Company has revised the GFA estimates, which led to an impairment of AED 572.3 million (Note 16).

11 Inventories

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Completed properties	**1,169,776**	1,628,914
Other operating inventories	**31,652**	11,386
	1,201,428	1,640,300

During the period, inventories were written down to their net realisable value. As a result, an allowance amounting to AED 33.4 million was recorded in the income statement (Note 16).

All completed properties are located in the United Arab Emirates.

12 Cash and bank balances

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Cash and bank balances	**3,344,364**	1,642,791
Short term deposits held with banks	**2,168,917**	616,982
	5,513,281	2,259,773
Short term deposits with original maturities greater than three months	**(339,782)**	(7,834)
Restricted bank balances	**(1,753,667)**	(1,242,664)
	3,419,832	1,009,275

The interest rate on term deposits ranges between 0.3% and 3.2% (31 December 2012: 0.6% and 1.8%) per annum. All bank deposits are placed with local banks in the United Arab Emirates.

13 Interest-bearing loans and borrowings

	Convertible bonds		Non-convertible bonds		Bank borrowings		Total borrowings	
	30 September 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000	**30 September 2013 (unaudited) AED '000**	31 December 2012 (audited) AED '000	**30 September 2013 (unaudited) AED '000**	31 December 2012 (audited) AED '000	**30 September 2013 (unaudited) AED '000**	31 December 2012 (audited) AED '000
Current								
Within one year	**-**	702,588	**4,760,037**	3,795,049	**6,562,765**	1,387,954	**11,322,802**	5,885,591
Non-current								
In two to five years	**-**	-	**-**	4,587,469	**3,029,746**	3,521,957	**3,029,746**	8,109,426
After five years	**-**	-	**-**	-	**-**	19,304	**-**	19,304
	-	**-**	**-**	4,587,469	**3,029,746**	3,541,261	**3,029,746**	8,128,730
	-	702,588	**4,760,037**	8,382,518	**9,592,511**	4,929,215	**14,352,548**	14,014,321
Finance cost capitalised during the period/year	**630**	5,290	**66,804**	63,614	**75,545**	36,583	**142,979**	105,487

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

13 Interest-bearing loans and borrowings (continued)

a) In March 2011, the Group issued mandatorily convertible bonds (the "convertible bonds") for a total value of AED 2.8 billion to a related party (the "bond holder") carrying a profit rate of 4% per annum payable semi-annually. In December 2011, an amount of AED 2.1 billion of mandatory convertible bonds was partially converted. The remaining convertible bonds were converted on 24 February 2013.

b) The non-convertible bonds comprise of Sukuk al-Ijarah (the "non-convertible Sukuk") with a carrying value of AED 3.75 billion and non-convertible Corporate Bonds with a carrying value of AED 4.76 billion. The non-convertible Sukuk was repaid on 17 June 2013 while the non-convertible Corporate Bonds are repayable on 27 May 2014.

c) Some of the Group's borrowings are secured by mortgage over plots of land and assignment of project receivables. Certain bank borrowings carry covenants relating to financial measures such as total assets value, net worth and gearing level.

d) The interest rates and maturity dates of borrowings were consistent with those disclosed in the audited annual financial statements for the year ended 31 December 2012.

e) Borrowings repaid during the period amounted to AED 4.9 billion.

f) A facility was entered into on 22 March 2012 for AED 4.0 billion which is secured against receivables from the Government of Abu Dhabi amounting to AED 4.8 billion. As at 30 September 2013, an amount of AED 3.3 billion had been drawn down against this facility.

g) The Group assumed through the acquisition of Sorouh (disclosed in Note 21) an AED 2.7 billion four-year club loan facility consisting of a term loan and revolving credit, with both conventional and Islamic tranches, and secured by certain assets. The facility was amended in June 2013 to reduce the margin to 2.45% from 4.50% and the term loan amortisation schedule was adjusted with remaining quarterly payments scheduled from December 2013 to September 2014. The balance outstanding as at 30 September 2013 was AED 2.1 billion.

h) The Group assumed through the acquisition of Sorouh (disclosed in Note 21) a loan of AED 5.9 million. The loan bears interest at the rate of 6 months EIBOR plus a margin of 1.25% per annum and is repayable over 7 years. The loan is secured by a mortgage over the villas of one of the development projects.

14 Advances from customers

Advances from customers represent instalments collected from customers for the sale of the Group's property developments. This includes advances received from the Government of Abu Dhabi of AED 2.0 billion (2012: AED 1.3 billion) (Note 19).

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

15 Trade and other payables

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Trade payables	**647,793**	778,859
Accrual for contractors' costs	**1,664,397**	1,857,135
Advances from the Government of Abu Dhabi for refundable costs and managed projects (Note 19)	**4,457,208**	2,944,834
Accrual for infrastructure costs	**289,570**	254,802
Provision for onerous contracts	**150,163**	190,343
Dividends payable	**78,959**	22,305
Deferred income	**279,436**	88,813
Deferred government grant (Note 19.1 (b))	**472,888**	-
Other liabilities	**794,887**	324,697
	8,835,301	6,461,788

Trade payables and accruals for contractors' costs include amounts due to joint ventures for project related work which has been disclosed in Note 19.

16 Provisions, impairments and write downs

	3 months ended 30 September		9 months ended 30 September	
	2013 (unaudited) AED'000	2012 (unaudited) AED'000	**2013 (unaudited) AED'000**	2012 (unaudited) AED'000
Impairment of property, plant and equipment (Note 5)	**-**	872,634	**250,802**	872,634
Provisions/(reversal) of trade and other receivables (Note 9)	**429**	(99,925)	**223,857**	(30,686)
Write down of development work in progress (Note 10)	**-**	40,941	**572,337**	40,941
Write down of inventories (Note 11)	**-**	118,472	**33,448**	118,472
	429	932,122	**1,080,444**	1,001,361

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

17 Finance costs

	3 months ended 30 September		9 months ended 30 September	
	2013 (unaudited) AED'000	2012 (unaudited) AED'000	**2013 (unaudited) AED'000**	2012 (unaudited) AED'000
Gross finance costs	**235,736**	236,070	**658,514**	713,492
Less: Amounts included in the cost of qualifying assets	**(68,890)**	(29,136)	**(142,979)**	(75,852)
	166,846	206,934	**515,535**	637,640

18 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical. The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	3 months ended 30 September		9 months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Earnings (AED '000)				
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the company)	**407,483**	205,666	**1,813,709**	1,101,760
Weighted average number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,862,629,603**	4,481,629,603	**6,196,989,897**	4,481,629,60

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

19 Transactions and balances with related parties

Related parties include the Group's major shareholders, Directors and key management personnel, and businesses controlled by them and their families or over which they exercise a significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The Government of Abu Dhabi, through entities controlled, or jointly controlled by the Government of Abu Dhabi (together referred to as "Government") is a major shareholder in the Company.

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

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Due from Government (net):		
Refundable costs (Note 9)	**2,769,752**	4,601,270
Receivable from assets sold (Note 9)	**6,270,319**	6,735,218
Receivable from project finance (Note 9)	**120,125**	-
Other receivables	**133,494**	394,170
Advances received (Notes 14 and 15)	**(6,481,982)**	(4,270,897)
	2,811,708	7,459,761
Due from associates and joint ventures (Note 9):	**443,447**	119,810
Due to joint ventures for project-related work:		
Contract payables	**(32,759)**	(32,502)
Retention payables	**(816)**	(52)
	(33,575)	(32,554)

Certain receivables from joint ventures carry interest of 6% to 9% and are repayable within 2 to 5 years from the end of the reporting period.

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Due from/(to) major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 9)	**444,556**	493,022
Due from a related party (Note 9)	**-**	52,534
Due to a major shareholder, net	**(92,449)**	(72,155)
Interest bearing convertible bonds (Note 13)	**-**	(702,588)
	352,107	(229,187)

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

19 Transactions and balances with related parties (continued)

Significant transactions with related parties during the period were as follows:

	9 months ended 30 September	
	2013 (unaudited) AED'000	2012 (unaudited) AED'000
Key management compensation:		
Director's remuneration	**-**	16,000
Salaries, bonuses and other benefits	**5,212**	7,932
Post-employment benefits	**116**	266
	5,328	24,198
Revenue from Government and major shareholder owned by Government:		
Revenue from sale of land and properties	**1,465,343**	6,540,536
Project management income	**38,541**	157,851
Rental income	**180,155**	151,390
	1,684,039	6,849,777
Work provided by joint ventures	**2,885**	9,429
Finance income from project finance and joint ventures	**46,876**	48,721

19.1 In January 2013, Sorouh announced that the Government of Abu Dhabi had agreed to reimburse up to AED 1.6 billion of infrastructure costs, and to purchase units in the Gate Towers development for AED 1.6 billion. As of 30 September 2013, AED 2.6 billion has been received. These transactions have been accounted for as follows:

(a) AED 1.6 billion of the amount received has been recorded as an advance received from Government, included in "advances from customers" (Note 14) and AED 1 billion has been recorded under "advances from the Government of Abu Dhabi for refundable costs and managed projects" (Note 19).

(b) The difference between the selling price of units in the Gate Towers and the fair market price has been recorded as a deferred government grant under trade and other payables (Note 15). This will be recognised in profit or loss upon handover of the units.

(c) The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised in profit or loss.

19.2 Outstanding borrowings of AED 9,126.8 million (2012: AED 4,505.1 million) are due to banks controlled by the Government.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

20 Commitments and contingencies

20.1 Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Projects under development	**970,797**	1,543,338
Reimbursable projects works in progress	**2,518,968**	3,310,565
Investments	**94,210**	98,105
Others	**4,326**	38,449
	3,588,301	4,990,457

The above commitments are spread over a period of one to five years.

20.2 Operating lease commitments

The Group as lessor

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Buildings:		
Within one year	**297,341**	283,356
In the second to fifth year	**848,723**	862,416
After five years	**514,936**	629,127
	1,661,000	1,774,899

The Group as lessee

The Group has annual operating lease commitments with respect to the rental of land and buildings. The minimum lease payments are as follows:

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Land:		
Within one year	**41,424**	12,091
In the second to fifth year	**159,869**	51,793
After five years	**351,833**	62,583
	553,126	126,467
Buildings (within one year)	**-**	31,713
	553,126	158,180

The Group does not have the option to purchase the leased premises at expiry of the lease period.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

20 Commitments and contingencies (continued)

20.3 Contingencies

Letters of credit and bank guarantees

	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
Letters of credit and bank guarantees	**399,061**	34,307
Group's share in contingencies of joint ventures	**206,068**	4,777

During 2012, a contractor lodged a claim, which was unsubstantiated in the notice, for AED 300 million, allegedly for an extension of time and works performed and not paid. Management believes that the claim has no substance and will be successfully defended and therefore is of the opinion that no provision for the claim is required.

21 Business combination

During the period, the Company acquired 100% ownership interest in Sorouh Real Estate PJSC through a share exchange. Accordingly, the ownership interest in the following entities which were subsidiaries of Sorouh Real Estate PJSC, was transferred to the Company.

Name of subsidiaries	Principal activity	Proportion of voting equity interests acquired
Gate Towers Shams Abu Dhabi LLC	Development of Gate Towers	100%
Sorouh Abu Dhabi Real Estate LLC	Act as Mudareb in accordance with the Sukuk Issue structure	100%
Sorouh International Limited	Holding company of foreign entities	100%
Sorouh International Development Limited	Development of properties and real estate	100%
Sorouh International Morocco Limited	Development of properties and real estate	100%
Lulu Island for Project Development LLC	Development of properties and real estate	100%
Tilal Liwa Real Estate Investing LLC	Property, rental and management	100%
Al Seih Real Estate Management LLC	Management and leasing of real estate; real estate projects investment	91.4%
Seih Sdeirah Real Estate L.L.C.	Property rental and management; real estate projects investment	91.4%
Sorouh Egypt for Investment and Tourism Development	Investment in tourism activity	80%
Khidmah LLC	Management and leasing of real estate	60%
Pivot Engineering & General Contracting Co. (WLL)	Engineering and general construction works	60%

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2013 (continued)**

21 Business combination (continued)

21.1 Assets acquired and liabilities recognised at the date of acquisition

	AED'000
ASSETS	
Property, plant and equipment	138,429
Intangible assets	375
Investment properties	4,573,274
Investment in associates and joint ventures	219,197
Available for sale financial assets	95,746
Trade and other receivables	2,720,943
Development work in progress	4,565,100
Land held for resale	1,748,470
Inventories	111,764
Cash and bank balances	1,521,478
Total assets	**15,694,776**
LIABILITIES	
Borrowings	2,112,140
Retentions payable	271,078
Provision of employees' end of service benefits	44,977
Advances from customers	2,933,585
Trade and other payables	1,934,979
Other financial liabilities	1,770
Total liabilities	**7,298,529**
Net assets acquired	**8,396,247**

21.2 Non-controlling interests

The non-controlling interest recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to AED 294.4 million.

Company	**Percentage of non-controlling interest**
Pivot Engineering & General Contracting Co. WLL	40%
Khidmah LLC	40%
Sorouh Egypt for Investment and Tourism Development S.A.E.	20%
Al Seih Real Estate Management LLC	8.6%
Seih Sdeirah Real Estate LLC	8.6%

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

21 Business combination (continued)

21.3 Gain arising on acquisition

	AED'000
Consideration transferred equal to fair value of 3,381 million shares issued to the shareholders of acquiree company	**5,511,030**
Add: Fair value of non-controlling interests	**294,435**
Less: Fair value of identifiable net assets acquired	**(8,396,247)**
Gain arising on acquisition taken to profit or loss for the period	**(2,590,782)**

Acquisition-related costs were recognised as an expense during the period in which they were incurred.

The gain on acquisition arises from the difference between the fair value of Sorouh's assets, including land assets which were previously held at nominal value, and the consideration transferred.

IFRS 3 determines that the effective acquisition date is, inter alia, the date on which all required conditions and approvals have been substantively satisfied.

Management has determined that 15 May 2013 was the date on which all the material conditions associated with the merger were substantively satisfied. Management has therefore concluded that the effective acquisition date is 15 May 2013. Therefore, the fair value of Sorouh's net assets was also measured at that date and the consideration was measured at Aldar's share price at that date.

The initial accounting for the acquisition of Sorouh has been provisionally determined at 30 June 2013. At the date of finalisation of this interim financial report, the necessary market valuations and other calculations had not been finalised and the adjustments to the gain on acquisition noted above have therefore only been provisionally determined based on the management's best estimate of the likely values. The market valuations obtained may also impact the recognised fair values of the other assets acquired as part of the business combination.

21.4 Impact of acquisition on the results of the Group

Included in the revenue for the nine months period is AED 678.9 million attributable to Sorouh. Since the acquisition date, the business operations of Sorouh have been absorbed by Aldar and it is therefore became impracticable to extract the profit attributable to Sorouh for the nine months ended 30 September 2013.

Had the acquisition of Sorouh been effected at 1 January 2013, the revenue of the Group for the nine months ended 30 September 2013 would have been AED 5,181 million, and the profit for the nine months ended would have been AED 1,819.5 million.

21.5 Net cash flow on acquisition

As mentioned in Note 21.3 above, the consideration transferred was entirely in the form of shares resulting in no cash outflow. Net cash and bank balances transferred on acquisition were AED 1.52 billion.

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

22 Segment information

22.1 Business segments

Segment information about the Group's continuing operations for the nine months ended 30 September 2013 and 2012 is presented below:

<u>9 months ended 30 September 2013 (unaudited)</u>

	Property development and sales AED'000	Investment properties portfolio AED'000	Construction AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	2,720,474	609,022	92,128	172,332	316,662	122,980	21,097	4,054,695
Depreciation and amortisation	-	(9,403)	-	(53,828)	(138,192)	(18,691)	(4,148)	(224,262)
Provisions, impairments and write downs	(829,642)	-	-	-	(250,802)	-	-	(1,080,444)
Fair value loss on investment properties	-	(312,959)	-	-	-	-	-	(312,959)
Segment profit/(loss)	145,811	(19,119)	3,183	(1,569)	(345,972)	26	(5,201)	(222,841)
Share of loss from associates and joint ventures								(44,367)
Selling and marketing expenses								(4,871)
General and administrative expenses								(187,859)
Gain on disposal of investment in associate								3,018
Gain on business combination								2,590,782
Depreciation and amortisation								(15,880)
Finance income								137,480
Finance costs								(515,535)
Other income								79,579
Profit for the period								1,819,506

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

22 Segment information (continued)

22.1 Business segments (continued)

9 months ended 30 September 2012 (unaudited)

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	8,820,263	465,354	152,297	265,996	101,021	19,843	9,824,774
Depreciation and amortisation	-	(5,260)	(89,826)	(190,235)	(21,116)	(6,281)	(312,718)
Provision for impairment/write offs, net	(128,726)	-	-	(872,635)	-	-	(1,001,361)
Fair value gain on investment properties	-	195,000	-	-	-	-	195,000
Segment profit/(loss)	1,847,458	441,103	(47,696)	(1,054,374)	(15,904)	(6,744)	1,163,843
Share of loss from associates and joint ventures							(14,876)
Selling and marketing expenses							(5,445)
General and administrative expenses							(4,813)
Depreciation and amortisation							(20,883)
Finance income							179,605
Finance costs							(637,640)
Other income							441,969
Profit for the period							1,101,760

22 Segment information (continued)

22.1 Business segments (continued)

The segment assets and liabilities and capital expenditure at 30 September 2013 and 31 December 2012 are as follows:

	Property development and sales AED'000	Investment properties portfolio AED'000	Construction AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Unallocated AED'000	Group AED'000
As at 30 September 2013 (unaudited)									
Assets	**21,385,588**	**12,647,346**	**3,172,101**	**728,179**	**2,588,308**	**409,417**	**70,828**	**3,847,443**	**44,849,210**
Liabilities	**13,885,204**	**741,978**	**999,476**	**179,059**	**141,250**	**91,768**	**22,383**	**12,549,832**	**28,610,950**
Capital expenditure	**8,772**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,772**
Projects expenditure	**190,749**	**967,911**	**-**	**-**	**-**	**-**	**-**	**-**	**1,158,660**
As at 31 December 2012 (audited)									
Assets	17,936,913	6,798,618	-	242,837	2,981,675	550,093	72,550	3,458,021	32,040,707
Liabilities	8,622,947	583,940	-	174,754	145,988	41,731	15,175	14,276,665	23,861,200
Capital expenditure	34,697	-	-	-	-	-	-	60	34,757
Projects expenditure	477,231	982,089	-	-	-	-	-	-	1,459,320

Notes to the condensed consolidated financial statements for the period ended 30 September 2013 (continued)

22 Segment information (continued)

22.2 Geographical segments

The Group operates in one geographical segment, i.e., United Arab Emirates.

23 Non-cash transactions

23.1 During the period, the Group issued 3,381,000 shares for a value of AED 5,511.0 million (Note 21.3) as consideration for the acquisition of 100% interest in Sorouh Real Estate PJSC. As there was no cash consideration, only the cash acquired has been presented under investment activities in the condensed consolidated statement of cash flows.

23.2 During the period, the remaining convertible mandatory bonds of AED 693.9 million were converted by the bondholder into shares. There was no impact in the condensed consolidated statement of cash flows.

24 Seasonality of results

No significant income of a seasonal nature was recorded in the condensed consolidated statement of income for the nine month period ended 30 September 2013 and 2012.

25 Event after the reporting period

In October 2013, the Group has signed a term loan facility from a local bank for AED 1.25 billion bearing interest of EIBOR plus 1% margin and repayable in four equal instalments commencing from 15 December 2014. The said loan is secured by assignment of F1 racetrack receivables.

26 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 6 November 2013.

ALDAR PROPERTIES PJSC

Reports and consolidated financial statements for the year ended 31 December 2012

ALDAR PROPERTIES PJSC

Reports and consolidated financial statements
for the year ended 31 December 2012

ALDAR PROPERTIES PJSC

BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors, I am delighted to present the consolidated audited financial statements of Aldar Properties PJSC and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2012.

Principal activities

The principal activities of the Group continue to be the property development, investment and management of its real estate assets including offices, malls, hotels, schools, marinas, golf course and theme parks.

Financial results

The financial results of the Group have been presented on page 11 of these consolidated financial statements. Please also refer to financial review section for details.

Financial statements

The Directors reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2012.

Directors

The Directors who served during the year are:

Mr. Ali Eid AlMheiri	Chairman
Dr. Sultan Ahmed Al Jaber	Director
Mr. Khalifa Sultan Al Suwaidi	Director
Mr. Carlos Obeid	Director
Mr. Mansour Mohamed Al Mulla	Director
Mr. Saeed Mohamed Al Mazrouei	Director
Mr. Martin Lee Edelman	Director

Release

The Directors release from liability the external auditor and management in connection with their duties for the year ended 31 December 2012.

Auditor

Deloitte & Touche (M.E.) are eligible to be re-appointed as auditor for the year ending 31 December 2013 and have expressed their willingness to be re-appointed.

On behalf of the Board of Directors

Ali Eid AlMheiri
Chairman
3 February 2013

FINANCIAL REVIEW

The financial information contained in this review is based on the consolidated financial statements. The nature and accounting policies for individual line items have been detailed in Note 3 to the consolidated financial statements. Extracts from the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows are as follows:

Key consolidated income statement information	**2012 AED million**	2011 AED million
Revenue	**11,403.9**	6,742.6
Direct costs	**(8,166.3)**	(5,097.1)
Selling and marketing expenses	**(11.4)**	(35.5)
General and administrative expenses [(i)]:		
Staff costs	**(197.9)**	(243.8)
Depreciation and amortisation	**(434.6)**	(590.3)
Pre-opening expenses of operational businesses	**-**	(3.4)
Other general and administrative expenses	**(100.5)**	(132.0)
	(733.0)	(969.5)
Finance costs, net	**(612.4)**	(982.1)
Other income [(ii)]	**565.9**	4,014.4
Profit before impairments and fair value movements	**2,446.7**	3,672.8
Provisions for impairments/write-offs/cancellation/onerous contracts	**(936.1)**	(2,489.6)
Fair value loss on investment properties	**(169.9)**	(540.7)
	(1,106.0)	(3,030.3)
Profit for the year	**1,340.7**	642.5

Key consolidated statement of financial position information	**2012 AED million**	2011 AED million
Property, plant and equipment	**3,632.2**	4,866.3
Investment properties	**6,078.1**	6,000.7
Development work in progress	**4,222.7**	7,133.9
Trade and other receivables	**13,337.0**	12,413.8
Cash and bank balances	**2,259.8**	4,157.7
Financing[(iii)]	**(14,014.3)**	(18,295.5)
Advances from customers	**(2,129.5)**	(4,740.0)
Trade and other payables	**(6,461.8)**	(8,417.1)
Net assets (total assets less total liabilities)	**8,179.5**	7,093.6

Key consolidated statement of cash flows information	**2012 AED million**	2011 AED million
Net cash generated from operating activities	**4,471.9**	4,300.3
Net cash (used in)/generated from investing activities	**(1,398.9)**	7,296.0
Net cash used in financing activities	**(5,434.9)**	(8,873.4)
Cash and cash equivalents at the end of the year	**1,009.3**	3,371.2
Short term deposits and restricted balances with banks	**1,250.5**	786.5
Cash and bank balances at the end of the year	**2,259.8**	4,157.7

(i) *Excludes provisions for impairments /write offs/ cancellation /onerous contracts, which has been shown separately.*

(ii) *Includes share of profits/loss from associates and joint ventures, impairment of available for sale investments, project provisions write back and cost recoveries, profit from assets held for sale and government grant income.*

(iii) *Financing is defined as outstanding balances from all borrowings, convertible and non-convertible bonds.*

FINANCIAL REVIEW (continued)

HIGHLIGHTS

I am pleased to report on a year of strong operational and financial performance with a net profit of AED 1,340.7 million, an increase of 108.7% compared to last year. This has led to significant growth in earnings per share of AED 0.30 compared to AED 0.15 for 2011. During 2012, we completed and delivered a number of projects resulting in consistent growth in revenue and profitability.

The Group's revenue for the year grew to AED 11,403.9 million compared to AED 6,742.6 million for the year 2011. Earnings before Interest, Depreciation and Amortisation (EBIDA) for the year was AED 2,387.6 million compared to AED 2,214.9 million for the year ended 31 December 2011. The Group has a policy to reassess the recoverable amounts and fair values of certain of its assets at the end of each reporting period and to adjust the value of its assets to reflect the prevailing market conditions. Accordingly, additional provisions for impairment and fair value losses amounting to AED 1,106.0 million were recognised during the year.

OPERATIONAL ACHIEVEMENTS

- 1,882 residential units were handed over to the customers during the year.
- Yas Waterworld Abu Dhabi was delivered to operator Al Farah Leisure Parks on schedule with official opening on 24 January 2013.
- Development of Yas Mall is progressing as per the planned schedule. Construction of the atrium (the largest indoor atrium in the Middle East) was completed during the year and installation of the roof skylights is now underway.
- The Village Retail developments at Al Falah, Abu Dhabi's largest housing scheme for UAE Nationals, are ready for tenants to fit out.
- Entered into an agreement to sell of Al Noor building at Al Raha Beach to a newly formed joint venture with Etihad Airways.
- 80% of leasable space of HQ has been leased or under agreed head of terms
- Increase in average occupancy of our hotel portfolio from 61% to 65% in 2012.

MERGER

On 21 January 2013, the board of directors of Aldar (the Aldar Board) and the board of directors of Sorouh (the Sorouh Board) announced the terms of a proposed merger between Aldar and Sorouh (the Merger). The Merger, which has the unanimous support of the Aldar Board and the Sorouh Board, will, if effected, create one of the largest listed real estate companies in the MENA region. The combined businesses of Aldar and Sorouh (the Combined Group) will have a diversified portfolio of assets including significant projects under development in Abu Dhabi. The Combined Group will be the owner of one of the largest land banks in the region, 90% of which is located in investment zones.

The Aldar Board and the Sorouh Board believe that the Combined Group will offer significant benefits to all stakeholders. The Merger will bring together two complementary businesses that will have a more diversified and balanced asset portfolio, a strong balance sheet, visible high quality earnings, better access to capital markets and synergies of up to AED 110 million per annum by 2015. Customers will benefit from a broader product suite across a range of assets within the Emirate of Abu Dhabi. The Combined Group will become a stronger partner for the Government of Abu Dhabi, as it continues to deliver strategic assets and various projects for the Government.

The merger is subject to a number of conditions, including the approval of the merger by at least 75 per cent by value of the shares represented at the Extraordinary General Meetings of Aldar and Sorouh.

Upon completion of the Merger, the name of the Combined Group will be "Aldar Sorouh Properties PJSC". Further details about the Merger are available on the website http://www.aldar-sorouh.com.

FINANCIAL REVIEW (continued)

ANALYSIS OF INCOME STATEMENT

Significant income statement variations have been analysed individually as follows:

Revenue

The Group's revenue is primarily generated from the sale of land and completed properties, rental income from investment properties and income from its operational businesses. The Group earned AED 9,965.9 million from property development activities mainly from sale of land plots and completed properties. The increase compared to previous year was primarily due to revenue from sales of land and residential units to the Government of Abu Dhabi.

The recurring revenue from the Group's investment properties, operative villages and other operational businesses was AED 1,438.0 for 2012 compared to AED 1,307.4 million for 2011.

Direct costs

Our direct operating costs include costs for infrastructure development, construction costs of projects, costs of operational businesses and direct costs incurred in the normal operating cycle of investment properties. For the year ended 31 December 2012, direct costs included AED 7,216.3 million for cost of land and completed properties sold, and AED 950.0 million as direct costs of operating businesses. The increase in direct costs is in line with the increase in revenue due to deliveries of land and units.

General and administrative expenses (excluding depreciation, amortisation and impairments)

The overall general and administrative expenses (excluding depreciation, amortisation and impairments) for the year ended 31 December 2012 were AED 298.4 million compared to AED 379.3 million for the year ended 31 December 2011. The general and administrative expenses for the year 2012 are lower by 21.3% compared to prior year primarily due to 18.8% decrease in staff costs. Other administrative expenses were also decreased by 23.8% due to effective cost control.

Finance income/costs

The Group's finance income comprises interest on bank deposits, profit on Islamic deposits and finance income from project financing. The Group's finance costs comprise interest payments on its external financing and related hedging costs.

For 2012, the Group had net finance costs of AED 612.4 million compared to net finance cost of AED 982.1 million in previous year. The decrease is in line with the reduction in Group's borrowings.

Other income

Other income for the period mainly includes provisions no longer required and written back due to cost recoveries.

FINANCIAL REVIEW (continued)

ANALYSIS OF FINANCIAL POSITION

Significant movements in our assets and liabilities during 2012 are explained below:

Property, plant and equipment

The decrease in property, plant and equipment is because of depreciation and writing down of certain assets to their recoverable amount owing to the current market conditions.

Investment properties

Our investment properties portfolio comprises both completed properties and properties in the course of development including land. During 2012 there was an additional spend of AED 982.6 million but certain major investment properties under development were reclassified as Development Work in Progress, thus maintaining the value of our investment properties at almost the same level as previous year end.

The Group also performs a comprehensive review for the assessment of fair value of its investment properties at each reporting date to bring them in line with their current market values. The majority of the valuations are carried out by an independent valuer using appropriate valuation techniques. As a result, during 2012 the Group has recorded a net fair value loss of AED 169.9 million on its investment properties.

Development work in progress

Development work in progress was AED 4,222.7 million as at 31 December 2012 compared to AED 7,133.9 million at 31 December 2011. During 2012, total additions (including transfers) to development work in progress were AED 779.7 million, which were offset by the costs of residential units completed and transferred to inventories and reimbursement of infrastructure.

Trade and other receivables

The Group's receivables have increased by 7.4% compared to the balance at 31 December 2011 mainly due to the sale of land plots and residential units to the Government of Abu Dhabi and increase in refundable costs.

Financing

The Group's external financing at 31 December 2012 has decreased to AED 14,014.3 million compared to AED 18,295.5 million mainly because of repayment of loans. During 2012, the Group successfully signed a new AED 4.0 billion revolving credit facility, which has tenor of three years. As at year end, AED 800 million was drawn from this facility and AED 3.2 billion remained undrawn.

FINANCIAL REVIEW (continued)

ANALYSIS OF CASH FLOWS

The Group had net cash inflows of AED 4,471.9 million from operating activities for 2012. This was primarily due to cash profits for the year, collections from customers and receipts from Government for the sale of land plots and refundable projects.

The Group's net cash outflows from investing activities for the year is mainly attributable to additions in investment properties and increase in restricted bank deposits.

Net cash outflows from financing activities for the period is mainly because of repayment of existing borrowings, related finance costs and profit distribution on Islamic bonds as well as payment of 2011 dividends.

Greg Fewer
Chief Financial Officer
3 February 2013

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aldar Properties PJSC
Abu Dhabi, U.A.E.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aldar Properties PJSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, 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 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.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
3 February 2013

Consolidated statement of financial position
as at 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**3,632,232**	4,866,346
Intangible assets	**6**	**3,017**	7,954
Investment properties	**7**	**6,078,113**	6,000,675
Investment in associates and joint ventures	**8**	**716,067**	647,118
Available-for-sale financial assets	**9**	**151,461**	170,658
Trade and other receivables	**10**	**5,785,829**	7,172,531
Total non-current assets		**16,366,719**	18,865,282
Current assets			
Development work in progress	**11**	**4,222,729**	7,133,911
Inventories	**12**	**1,640,300**	4,719,722
Trade and other receivables	**10**	**7,551,186**	5,241,319
Cash and bank balances	**13**	**2,259,773**	4,157,680
Total current assets		**15,673,988**	21,252,632
Total assets		**32,040,707**	40,117,914

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

Consolidated statement of financial position as at 31 December 2012 (continued)

	Notes	2012 AED'000	2011 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	4,085,129	4,085,129
Share premium	15	7,984,873	7,984,873
Share issuance costs, net	14	(79,920)	(79,920)
Statutory reserve	16	1,010,385	876,319
Hedging reserve		(59,896)	(52,968)
Fair value reserve		7,088	34,630
Accumulated losses		(4,768,152)	(5,754,488)
Total equity attributable to owners of the Company		8,179,507	7,093,575
Non-current liabilities			
Convertible bonds – liability component	18	-	693,876
Non-convertible bonds	19	4,587,469	8,329,781
Borrowings	20	3,541,261	4,117,502
Retentions payable		508,874	1,486,290
Provision for end of service benefit	21	53,413	46,981
Security deposits		1,998	1,998
Other financial liabilities		39,378	36,408
Total non-current liabilities		8,732,393	14,712,836
Current liabilities			
Convertible bonds – liability component	18	702,588	31,177
Non-convertible bonds	19	3,795,049	43,051
Borrowings	20	1,387,954	5,080,133
Retentions payable		651,879	-
Advances from customers	22	2,129,549	4,740,002
Trade and other payables	23	6,461,788	8,417,140
Total current liabilities		15,128,807	18,311,503
Total liabilities		23,861,200	33,024,339
Total equity and liabilities		32,040,707	40,117,914

Ali Eid AlMheiri
Chairman

Sami Asad
Chief Executive Officer

Greg Fewer
Chief Financial Officer

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

Consolidated income statement for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Revenue	**24**	**11,403,921**	6,742,590
Direct costs	**25**	**(8,166,330)**	(5,097,065)
Gross profit		**3,237,591**	1,645,525
Selling and marketing expenses	**26**	**(11,351)**	(35,486)
General and administrative expenses:			
Staff costs	**27**	**(197,875)**	(243,812)
Depreciation and amortisation		**(434,587)**	(590,263)
Pre-opening expenses of operational businesses		-	(3,441)
Impairments/write-offs on projects		**(1,171,160)**	(1,822,367)
Loss on cancellation of sales	**10.1**	-	(40,047)
Provision for impairment of trade receivables	**10.1**	**(15,942)**	-
Reversal of provision/(provision for impairment) of receivables from/ investment in associates and joint ventures	**10.5**	**50,000**	(174,126)
Reversal of provision/(provision for impairment) of amounts due from a related party	**10.6**	**201,025**	(201,025)
Provision for onerous contracts	**23**	-	(252,005)
Other general and administrative expenses		**(100,544)**	(132,002)
Share of profit from associates and joint ventures	**8**	**121,489**	102,387
Fair value loss on investment properties	**7**	**(169,946)**	(540,732)
Impairment loss on available-for-sale financial assets	**9**	**(2,139)**	(38,500)
Finance income	**28**	**222,989**	122,347
Finance costs	**29**	**(835,382)**	(1,104,473)
Other income	**30**	**446,490**	3,950,511
Profit for the year		**1,340,658**	642,491
Profit for the year attributable to owners of the Company		**1,340,658**	642,491

Earnings per share

		AED per share	
Basic and diluted	**31**	**0.30**	0.15

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

Consolidated statement of comprehensive income for the year ended 31 December 2012

	Note	2012 AED'000	2011 AED'000
Profit for the year		**1,340,658**	642,491
Other comprehensive (loss)/income			
(Loss)/gain on fair valuation of available-for-sale financial assets		**(27,542)**	34,630
Impairment loss on available-for-sale financial assets transferred to profit or loss		-	18,500
Hedging losses transferred to carrying amounts of hedged items		-	47,981
Hedging losses recognised in profit or loss		**1,023**	12,598
Changes in fair value of cash flow hedges		**(7,951)**	(15,361)
Directors' remuneration	**33**	**(16,000)**	-
		(50,470)	98,348
Total comprehensive income for the year		**1,290,188**	740,839
Total comprehensive income for the year attributable to owners of the Company		**1,290,188**	740,839

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

Consolidated statement of changes in equity
for the year ended 31 December 2012

	Notes	Share capital AED'000	Share premium AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Convertible bonds – equity component AED'000	Non-interest bearing convertible bonds AED'000	Accumulated losses AED'000	Attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2011		2,577,895	3,823,173	(79,920)	812,070	(98,186)	(18,500)	181,293	3,562,810	(6,513,959)	4,246,676	109	4,246,785
Profit for the year		-	-	-	-	-	-	-	-	642,491	642,491	-	642,491
Other comprehensive income		-	-	-	-	45,218	53,130	-	-	-	98,348	-	98,348
Conversion of bonds into shares	**17**	303,735	3,259,075	-	-	-	-	-	(3,562,810)	-	-	-	-
Issue of new shares	**14**	1,203,499	902,625	-	-	-	-	-	-	-	2,106,124	-	2,106,124
Purchase of non-controlling interests		-	-	-	-	-	-	-	-	(64)	(64)	(109)	(173)
Equity component of convertible bonds transferred to retained earnings upon maturity		-	-	-	-	-	-	(181,293)	-	181,293	-	-	-
Transfer to statutory reserve	**16**	-	-	-	64,249	-	-	-	-	(64,249)	-	-	-
Balance at 1 January 2012		4,085,129	7,984,873	(79,920)	876,319	(52,968)	34,630	-	-	(5,754,488)	7,093,575	-	7,093,575
Profit for the year		-	-	-	-	-	-	-	-	1,340,658	1,340,658	-	1,340,658
Other comprehensive loss		-	-	-	-	(6,928)	(27,542)	-	-	(16,000)	(50,470)	-	(50,470)
Dividend for the year 2011	**32**	-	-	-	-	-	-	-	-	(204,256)	(204,256)	-	(204,256)
Transfer to statutory reserve	**16**	-	-	-	134,066	-	-	-	-	(134,066)	-	-	-
Balance at 31 December 2012		**4,085,129**	**7,984,873**	**(79,920)**	**1,010,385**	**(59,896)**	**7,088**	**-**	**-**	**(4,768,152)**	**8,179,507**	**-**	**8,179,507**

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

Consolidated statement of cash flows
for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Cash flows from operating activities		
Profit for the year	**1,340,658**	642,491
Adjustments for:		
Depreciation and amortisation	**434,587**	590,263
Finance income	**(222,989)**	(122,347)
Dividend income	**(4,235)**	(5,658)
Finance costs	**800,045**	1,071,417
Amortisation of prepaid finance costs	**35,337**	33,056
Gain on sale of assets held for sale	-	(841,934)
Government grant income	-	(3,100,398)
Impairment loss of available-for-sale financial assets	**2,139**	38,500
Fair value loss on investment properties	**169,946**	540,732
Share of profit from associates and joint ventures	**(121,489)**	(102,387)
Provision for onerous contracts	**-**	252,005
Impairments/write-offs on projects	**1,171,160**	1,822,367
Provision for impairment of trade receivables/cancellations	**15,942**	40,047
(Reversal of provision)/provision for impairment of amounts due from a related party	**(201,025)**	201,025
(Reversal of provision)/provision for impairment of receivables from investment in associates and joint ventures	**(50,000)**	174,126
Gain on disposal of property, plant and equipment	**(92)**	(1,344)
Provision for end of service benefit, net	**6,801**	431
Operating cash flows before changes in working capital	**3,376,785**	1,232,392
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(633,029)**	274,684
Decrease in development work in progress	**741,960**	823,112
Decrease in inventories	**5,902,697**	504,789
(Decrease)/increase in retentions payable	**(325,537)**	48,412
Decrease in security deposits	-	(24,281)
(Decrease)/increase in advances from customers	**(2,610,453)**	2,052,421
Decrease in trade and other payables	**(1,980,566)**	(611,278)
Net cash generated from operating activities	**4,471,857**	4,300,251

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

Consolidated statement of cash flows
for the year ended 31 December 2012 (continued)

	2012 AED'000	2011 AED'000
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(34,904)**	(245,123)
Proceeds from disposal of property, plant and equipment	**105**	1,588
Payments for purchases of intangible assets	**(229)**	(2,608)
Additions to investment properties	**(982,570)**	(1,938,832)
Payments for investment in joint ventures	**(150)**	-
Net cash on acquisition of a subsidiary	**894**	-
Payments for investment in available-for-sale financial assets	**(10,484)**	(21,438)
Government grant received for the sale of an asset	-	998,878
Proceeds from disposal of investment in available-for-sale financial assets	-	5,000
Proceeds from disposal of held-for-sale assets	-	7,412,475
Finance income received	**30,200**	75,579
Dividends received	**62,235**	13,908
Movement in term deposits with original maturities above three months	**5,077**	1,121,739
Movement in restricted bank balances	**(469,071)**	(124,946)
Payment for purchase of share of non-controlling interest	-	(173)
Net cash (used in)/generated from investing activities	**(1,398,897)**	7,296,047
Cash flows from financing activities		
Issue of convertible bonds	-	2,800,000
Financing raised	**800,000**	2,151,941
Repayment of borrowings	**(5,037,360)**	(7,895,470)
Finance costs paid	**(981,796)**	(1,590,685)
Payment on redemption of convertible bonds	-	(4,070,022)
Distribution to convertible bond holders	-	(268,298)
Dividends paid	**(199,705)**	(824)
Directors' remuneration paid	**(16,000)**	-
Net cash used in financing activities	**(5,434,861)**	(8,873,358)
Net (decrease)/increase in cash and cash equivalents	**(2,361,901)**	2,722,940
Cash and cash equivalents at the beginning of the year	**3,371,176**	648,236
Cash and cash equivalents at the end of the year (Note 13)	**1,009,275**	3,371,176

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

Notes to the consolidated financial statements for the year ended 31 December 2012

1 General information

The establishment of Aldar Properties PJSC (the "Company") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005.

The Company is domiciled in the United Arab Emirates and its registered office address is PO Box 51133, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as "the Group") are engaged in various businesses primarily the development, sales, investment, construction, management and associated services for real estate. In addition, the Group is also engaged in development, management and operation of hotels, schools, marinas, golf courses and theme parks.

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

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

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IAS 12 *Income Taxes relating to Deferred Tax – Recovery of Underlying Assets*	Amends IAS 12 *Income Taxes* to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendment to IFRS 1 *Severe Hyperinflation*	The amendments provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	The amendment replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* relating to accounting for government loans at below market interest rate	1 January 2013
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting financial assets and liabilities	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Improvements to IFRSs issued in 2011 and 2012 covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2015
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

Management anticipates that the adoption of these IFRSs in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities 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.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries at 31 December 2012 are as follows:

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties.
Al Jimi Mall LLC	100%	UAE	Development and management of investment property.
Addar Real Estate Services LLC	100%	UAE	Property development.
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of, and investment in, properties.
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services.
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services.
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings.
Farah Leisure Parks Management LLC	100%	UAE	Supervise, manage and operate theme parks.
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services.
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery.
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities.
Nareel Island Development Company LLC *	100%	UAE	Development and management of, and investment in, properties and related activities.
Yas Marina LLC	100%	UAE	Ownership, development and management of marinas and related activities.
Yas Yacht Club LLC	100%	UAE	Management of yachts and marine sports.
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels.
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs.
Al Muna Primary School LLC	100%	UAE	Providing educational services.

* Acquired during the year (Note 8).

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

3.4 Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

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

3 Summary of significant accounting policies (continued)

3.5 Interests in joint ventures

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

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

3.6 Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less dividends received and less any impairment in the value of individual investments. The Group's share in the associate's results is recorded in the consolidated income statement.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3 Summary of significant accounting policies (continued)

3.7 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 recognised in the consolidated income statement at the fair value of the consideration received or receivable as follows:

Sale of properties

Revenue from the sale of properties is recognised when all of the following conditions have been satisfied:

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

Income from investment properties

Rental income
The Group's policy for recognition of revenue from operating leases is described in 3.8 below.

Service charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Group acts as principal in this respect.

Income from hotels

Income from hotels comprises revenue from rooms, food and beverages and other associated services provided, and is recognised when the goods are sold or services are rendered.

Income from leisure businesses

Income from leisure businesses comprises revenue from goods sold and services provided at marinas, golf course and theme parks, and is recognised when the goods are sold or services are rendered.

Income from schools

Registration fee is recognised as income when it is received. Tuition fee income is recognised on a monthly basis over the period of instruction. Tuition fees received in advance are recorded as deferred income.

Interest income

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

3 Summary of significant accounting policies (continued)

3.8 Leasing

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

The Group as lessor

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

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.9 below).

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

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

3.9 Foreign currencies

For the purpose of these consolidated financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.10 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period during which they are incurred.

3.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	20 – 30
Labour camps	5
Leasehold improvements	3 – 4
Office equipment	3 – 5
Computers	3
Furniture and fixtures	5
Motor vehicles	4

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the relevant lease.

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3 Summary of significant accounting policies (continued)

3.12 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

3.13 Investment property

Investment property comprises completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment property is measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

3.14 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.15 Development work in progress

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

3 Summary of significant accounting policies (continued)

3.16 Inventories

Inventories comprise completed properties held for sale in the ordinary course of business and other operating inventories. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction/acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

3.17 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

Licenses

Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3.18 Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3 Summary of significant accounting policies (continued)

3.18 Impairment of tangible and intangible assets excluding goodwill (continued)

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

3.19 Provisions

Provisions are recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

<u>Onerous contracts</u>

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.20 Employee benefits

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

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

3 Summary of significant accounting policies (continued)

3.21 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

3.22 Financial assets

Financial assets are classified into the following specified categories: ‘available-for-sale’ (AFS) financial assets, ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Cash and cash equivalents</u>

Cash and cash equivalents include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

<u>AFS financial assets</u>

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve in equity, with the exception of impairment losses, interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

AFS financial assets (continued)

Where the AFS investment is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously accumulated in the investment revaluation reserve is reclassified to the profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Derecognition of financial assets

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

3.23 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 amortised 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 recognised and included in equity and is not subsequently remeasured.

2 Summary of significant accounting policies (continued)

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

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when recognition of interest would be immaterial.

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

Derecognition of financial liabilities

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

3.24 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps and interest rate caps.

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.24 Derivative financial instruments (continued)

Hedge accounting

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Note 35.5(b) sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit of loss 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 is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Interest rate caps are measured at fair value, with changes in time value recognised in the same line of the profit or loss as the recognised hedged item. Changes in intrinsic value are recognised in other comprehensive income and accumulated in hedging reserve in equity.

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

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgments in applying accounting policies

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

<u>Classification of leases</u>

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

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

<u>Classification of properties</u>

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

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

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

4.2 Key sources of estimation uncertainty

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

Fair value of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2012, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range %
Targeted internal rate of return	13 - 17
Rental yield	8 - 11

Estimation of net realisable value for inventory and development work in progress

Properties held for resale and properties classified under development work in progress are stated at lower of cost or net realisable value (NRV). NRV is assessed with reference to sales prices, costs of completion and advances received and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

Impairment of property, plant and equipment and capital work in progress

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of investments in/receivable from joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired, entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment and/or receivable is recognised as an expense in profit or loss. Management is satisfied that no additional impairment is required on its investments and associates (Note 8) and it's receivables from associates and joint ventures (Note 10.5) in excess of amount already provided for investments in joint ventures and associates (Note 8).

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. This determination of whether the receivables are impaired, entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with the legal department and review of the current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided (see Note 10.1).

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

5 Property, plant and equipment

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2011	5,513,964	1,081,230	351,146	51,692	60,319	7,241	16,448	1,624,058	8,706,098
Additions	16,157	-	46,867	9,957	7,544	226	164	168,039	248,954
Finance costs capitalised during the year	-	4,679	-	-	-	-	-	13,357	18,036
Transfers, net	180,348	407,235	(5,261)	(17,875)	(3,094)	(1,489)	-	(1,307,771)	(747,907)
Disposals	(36,347)	-	-	(775)	(50)	(1,243)	(5,061)	-	(43,476)
1 January 2012	5,674,122	1,493,144	392,752	42,999	64,719	4,735	11,551	497,683	8,181,705
Additions	-	-	60	-	-	-	-	34,697	34,757
Transfer on acquisition of a subsidiary	1,442	-	2,061	-	29	-	105	-	3,637
Transfers, net	131,568	9,330	10,916	4,038	5,720	169	-	(57,900)	103,841
Disposals	-	-	(34)	-	-	(318)	-	-	(352)
31 December 2012	5,807,132	1,502,474	405,755	47,037	70,468	4,586	11,656	474,480	8,323,588
Accumulated depreciation and impairment									
1 January 2011	526,313	460,974	125,748	13,132	32,526	2,611	11,825	857,831	2,030,960
Charge for the year	238,518	244,162	94,517	9,508	16,693	1,139	2,157	-	606,694
Transfers, net	-	-	(447)	(869)	(512)	(198)	-	(624,772)	(626,798)
Impairment loss recognised during the year	523,517	553,650	-	-	-	-	-	234,221	1,311,388
Disposals	-	-	-	(698)	(50)	(1,076)	(5,061)	-	(6,885)
1 January 2012	1,288,348	1,258,786	219,818	21,073	48,657	2,476	8,921	467,280	3,315,359
Charge for the year	227,591	110,763	65,309	10,560	13,693	1,041	1,441	-	430,398
Transfer on acquisition of a subsidiary	1,515	-	326	-	30		105	-	1,976
Impairment loss recognised during the year	943,962	-	-	-	-	-	-	-	943,962
Disposals	-	-	(21)	-	-	(318)	-	-	(339)
31 December 2012	2,461,416	1,369,549	285,432	31,633	62,380	3,199	10,467	467,280	4,691,356
Carrying amount									
31 December 2012	**3,345,716**	**132,925**	**120,323**	**15,404**	**8,088**	**1,387**	**1,189**	**7,200**	**3,632,232**
31 December 2011	4,385,774	234,358	172,934	21,926	16,062	2,259	2,630	30,403	4,866,346

All of the Group's property, plant and equipment are located in the United Arab Emirates.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

5 Property, plant and equipment (continued)

The depreciation charge for the year has been allocated as follows:

	2012 AED'000	2011 AED'000
Projects under development	**977**	29,638
General and administrative expenses	**429,421**	577,056
	430,398	606,694

During the year, the Group carried out a review of recoverable amounts of its property, plant and equipment. The review led to a recognition of impairment losses of AED 944.0 million (2011: AED 1,311.4 million), which has been recorded in profit or loss. The recoverable amount of relevant assets has been determined on the basis of their value in use by reference to the discounted cash flow method using discount rates of 10.5% (2011: 7.5%).

6 Intangible assets

	Licenses AED'000	**Computer software AED'000**	**Total AED'000**
Cost			
1 January 2011	1,430	68,436	69,866
Additions	-	2,608	2,608
Transferred to assets held for sale	-	(6,698)	(6,698)
1 January 2012	1,430	64,346	65,776
Additions	-	229	229
31 December 2012	1,430	64,575	66,005
Accumulated amortisation			
1 January 2011	8	45,194	45,202
Charge for the year	2	13,205	13,207
Transferred to assets held for sale	-	(587)	(587)
1 January 2012	10	57,812	57,822
Charge for the year	2	5,164	5,166
31 December 2012	12	62,976	62,988
Carrying amount			
31 December 2012	**1,418**	**1,599**	**3,017**
31 December 2011	1,420	6,534	7,954

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

7 Investment properties

Investment properties comprise completed properties (buildings, retail centres and shopping mall) and properties under development, including land under development, at fair value. Movement during the year is as follows:

	2012			2011		
	Completed properties AED'000	**Properties under development AED'000**	**Total AED'000**	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the year	**3,413,998**	**2,586,677**	**6,000,675**	3,022,390	5,271,440	8,293,830
Development costs incurred during the year	**46,041**	**936,048**	**982,089**	-	1,950,588	1,950,588
Finance cost capitalised, net	-	**95,608**	**95,608**	-	285,199	285,199
Project costs written-off	-	-	-	-	(54,583)	(54,583)
Hedge capitalised	-	-	-	-	12,674	12,674
Decrease in fair value, net	**(165,716)**	**(4,230)**	**(169,946)**	(246,339)	(294,393)	(540,732)
Transfer upon completion	-	-	-	637,947	(637,947)	-
Asset sold during the year to the Government of Abu Dhabi	-	-	-	-	(2,452,213)	(2,452,213)
Transfers from/(to):						
Property, plant and equipment	**19,646**	-	**19,646**	-	95,414	95,414
Development work in progress	**67,323**	**(890,592)**	**(823,269)**	-	(1,426,393)	(1,426,393)
Asset held for sale	-	-	-	-	(116,962)	(116,962)
Trade and other receivables	-	-	-	-	(46,147)	(46,147)
Properties under development	**22,667**	**(22,667)**	-	-	-	-
Refundable costs	-	**(25,274)**	**(25,274)**	-	-	-
Inventories	-	**(1,416)**	**(1,416)**	-	-	-
Balance at the end of the year	**3,403,959**	**2,674,154**	**6,078,113**	3,413,998	2,586,677	6,000,675

The fair value of two buildings has been calculated by management with reference to discounted future estimated cash flows based on the existing lease contracts and the use of a discount rate of 10% per annum.

The fair values of the remaining investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation was determined by using the Residual Value Method and Income Capitalisation Method. The effective date of the valuation is 30 November 2012. Refer to Note 4 for the key assumptions used.

All investment properties are located in the United Arab Emirates.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

8 Investment in associates and joint ventures

Investee	Ownership interest	Voting power	Place of registration	Share in underlying net assets at 1 January 2012 AED'000	Additions AED'000	Share in current year's profit/(loss AED'000	Share in hedging reserve AED'000	Unrealised profits AED'000	Dividends received AED'000	Allocated to current account of the associates/ joint ventures AED'000	Share in underlying net assets at 31 December 2012 AED'000
Associates											
Green Emirates Properties PJSC	20%	20%	Abu Dhabi	39,225	-	(3,840)	-	-	-	-	**35,385**
Aseel Finance PJSC	20%	20%	Abu Dhabi	111,345	-	9,372	-	-	(4,000)	-	**116,717**
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	4,131	-	-	-	-	-	-	**4,131**
Al Maabar International Investments LLC	20%	20%	Abu Dhabi	131,106	-	(25,346)	-	-	-	-	**105,760**
Iskandar Holdings Ltd	19%	19%	Cayman Islands	35,503	-	-	-	-	-	-	**35,503**
				321,310	-	(19,814)	-	-	(4,000)	-	**297,496**
Joint ventures											
Aldar Laing O'Rourke Construction LLC	51%	50%	Abu Dhabi	147,559	-	(23,273)	-	74	(50,000)	-	**74,360**
Aldar Readymix LLC	50%	50%	Abu Dhabi	-	-	-	-	-	-	-	
Aldar Besix LLC	51%	50%	Abu Dhabi	27,384	-	237	-	-	-	-	**27,621**
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	132,098	-	163,300	(4,983)	-	-	-	**290,415**
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	18,767	-	10,707	-	551	(4,000)	-	**26,025**
Royal House LLC	50%	50%	Abu Dhabi	-	-	(8,717)	-	-	-	8,717	-
Nareel Island Development Company LLC (Note 8.1)	50%	50%	Abu Dhabi	-	-	212	-	-	-	(212)	-
Fadar Retail LLC	50%	50%	Abu Dhabi	-	-	(1,163)	-	-	-	1,163	-
Textura Middle East LLC	50%	50%	Abu Dhabi	-	-	-	-	-	-	-	-
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	-	75	-	-	-	-	-	**75**
Aldar Etihad Development LLC	50%	50%	Abu Dhabi	-	75	-	-	-	-	-	**75**
				325,808	150	141,303	(4,983)	625	(54,000)	9,668	**418,571**
				647,118	150	121,489	(4,983)	625	(58,000)	9,668	**716,067**

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

8 Investment in associates and joint ventures (continued)

Unrealised profits which comprise share of profits on various projects of the joint ventures within the Group amounted to AED 0.6 million (2011: AED 12.6 million).

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

	2012 AED'000	2011 AED'000
Total assets	**5,310,273**	5,513,918
Total liabilities	**(3,917,655)**	(4,002,695)
Net assets	**1,392,618**	1,511,223
Group's share of net assets of associates	**297,496**	321,310
Total revenue	**153,782**	159,384
Total loss for the year	**(98,330)**	(28,163)

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

	2012 AED'000	2011 AED'000
Total assets	**2,255,397**	2,651,955
Total liabilities	**(1,543,174)**	(2,056,426)
Net assets	**712,223**	595,529
Group's share of net assets of joint ventures	**418,571**	325,808
Total revenue	**347,865**	320,615
Total profit for the year	**289,996**	116,295

8 Investment in associates and joint ventures (continued)

8.1 Assets and liabilities acquired

During the year, the Group acquired additional 50% share in one of its joint ventures Nareel Island Development Company LLC (Nareel). Accordingly, Nareel has been consolidated as a subsidiary in these financial statements.

The assets and liabilities of Nareel arising from and as of date of acquisition were as follows:

	AED'000
Property, plant and equipment	**1,661**
Development work in progress	**456,307**
Refundable deposits	**35**
Cash and bank balances	**969**
Shareholders' loan	**(100,000)**
Shareholder's current account	**(360,110)**
Net liabilities of Nareel at acquisition	**(1,138)**
Consideration for acquisition:	
Fair value of the net liabilities of the Group	**569**
Share of net liabilities of the other partner assumed	**569**
Cash consideration paid	**75**
Goodwill recognised and impaired	**75**

Net cash flow arising from acquisition of Nareel

	AED'000
Cash and bank balances acquired	**969**
Cash consideration paid	**(75)**
	894

9 Available-for-sale (AFS) financial assets

	2012 AED'000	2011 AED'000
Investment in UAE unquoted securities	**120,675**	114,074
Investment in international unquoted securities	**30,786**	56,584
	151,461	170,658

Movement during the year is as follows:

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**170,658**	144,590
Additions	**10,484**	21,438
Disposals	**-**	(10,000)
Fair value (loss)/gain during the year, net	**(29,681)**	14,630
Balance at the end of the year	**151,461**	170,658

Subject to the Group's overall operating strategy, the Group intends to dispose of these investments in the normal course of business if a favourable price is offered.

During the year, dividend income received from AFS financial assets amounted to AED 4.2 million (31 December 2011: AED 5.7 million).

The total impairment loss recognised in profit and loss on an AFS investment as at 31 December 2012 amounted to AED 2.1 million (31 December 2011: AED 38.5 million).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

10 Trade and other receivables

	2012 AED'000	2011 AED'000
Non-current portion		
Trade receivables (Note 10.1)	**6,935**	-
Less: Provision for impairment and cancellations	**(6,935)**	-
	-	-
Receivable from project finance (Note 10.3)	**369,478**	389,998
Due from a related party (Notes 10.6 & 33)	-	201,025
Receivable from the Government of Abu Dhabi (Note 10.4)	**5,298,034**	6,133,739
Due from joint ventures (Notes 10.5 & 33)	**118,317**	447,769
	5,785,829	7,172,531
Current portion		
Trade receivables (Note 10.1)	**561,881**	720,688
Less: Provision for impairment and cancellations	**(107,884)**	(195,202)
	453,997	525,486
Refundable costs (Note 10.2)	**4,601,270**	2,694,116
Receivable from project finance (Note 10.3)	**123,544**	87,883
Receivable from the Government of Abu Dhabi (Note 10.4)	**1,437,184**	340,095
Due from joint ventures (Notes 10.5 & 33)	**1,493**	12,950
Due from a related party (Notes 10.6 & 33)	**52,534**	-
Advances and prepayments	**325,757**	1,278,374
Accrued interest	**652**	3,675
Others	**554,755**	298,740
	7,551,186	5,241,319

10.1 Trade receivables

The Group's trade receivables consist of customers with a good credit standing. At the end of the year, 44% of the trade receivables (31 December 2011: 69% of the trade receivables) is due from its top five customers. The Group considers these customers to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Group.

No interest is charged and no collateral is taken on trade receivables.

10 Trade and other receivables (continued)

10.1 Trade receivables (continued)

<u>Ageing of trade receivables</u>

	2012 **AED'000**	2011 AED'000
Not past due	**303,679**	297,937
Past due but not impaired (more than 180 days)	**150,318**	227,549
Past due and impaired (more than 180 days)	**114,819**	195,202
Total trade receivables	**568,816**	720,688

Movement during the year in provision for impairment and cancellations in trade receivables is as follows:

	2012 **AED'000**	2011 AED'000
Balance at the beginning of the year	**195,202**	683,401
Loss on cancellations during the year	-	40,047
Impairment recognised during the year	**36,410**	-
Released upon cancellation of sales	**(116,793)**	(528,246)
Balance at the end of the year	**114,819**	195,202

10.2 Refundable costs

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation with development of infrastructure of various projects and real estate developments. These amounts will be refunded by the relevant Government Authorities upon completion.

10 Trade and other receivables (continued)

10.3 Receivable from project finance

	Minimum payments		Present value of minimum payments	
	2012	2011	**2012**	2011
	AED'000	AED'000	**AED'000**	AED'000
Amounts receivable from project finance:				
Within one year	**126,963**	91,303	**123,544**	87,883
In the second to fifth year	**295,348**	298,259	**209,764**	211,432
After five years	**415,445**	487,099	**159,714**	178,566
	837,756	876,661	**493,022**	477,881
Less: unearned finance income	**(344,734)**	(398,780)	-	-
Present value of minimum payments receivable	**493,022**	477,881	**493,022**	477,881
Non-current receivables			**369,478**	389,998
Current receivables			**123,544**	87,883
			493,022	477,881

10.4 Receivable from the Government of Abu Dhabi

Receivable from the Government of Abu Dhabi represents the amount receivable against certain assets sold in 2009 and 2011 and the sale of land plots handed over during the year.

10.5 Due from joint ventures

	Non-current		Current	
	2012	2011	**2012**	2011
	AED'000	AED'000	**AED'000**	AED'000
Gross receivables	**171,407**	537,009	**17,624**	29,081
Less: Provision for impairment	**(53,090)**	(89,240)	**(16,131)**	(16,131)
	118,317	447,769	**1,493**	12,950

10.6 Due from a related party

In 2011, the amount due from a related party was net of a provision for impairment amounting to AED 201 million. During the year this amount was reversed in full, as a settlement agreement was put in place.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

11 Development work in progress

Development work in progress represents development and construction costs incurred on properties being constructed for sale. Movement during the year is as follows:

	2012 AED'000	2011 AED'000
Balance at beginning of the year	**7,133,911**	13,877,865
Developments during the year	**477,231**	3,234,131
Finance costs capitalised during the year, net	**9,879**	179,796
Hedging losses capitalised	-	35,307
Reimbursement received	-	(2,279,988)
Depreciation capitalised during the year	**977**	-
Transfers from/(to):		
Investment properties	**823,269**	1,426,393
Refundable costs	**(357,755)**	(26,463)
Projects completed during the year:		
Transfers to inventory	**(3,079,629)**	(4,857,034)
Disposals (recognised in direct costs)	**(1,219,335)**	(4,058,943)
Project costs impairments/write-offs	-	(397,153)
Transfer upon acquisition of a subsidiary, net	**434,181**	-
Balance at the end of the year	**4,222,729**	7,133,911

All development work in progress projects are located in the United Arab Emirates.

12 Inventories

	2012 AED'000	2011 AED'000
Completed properties	**1,628,914**	4,707,918
Other operating inventories	**11,386**	11,804
	1,640,300	4,719,722

Completed properties in inventories are located in the United Arab Emirates.

13 Cash and cash equivalents

	2012 AED'000	2011 AED'000
Cash and bank balances	**1,642,791**	3,393,008
Short term deposits held with banks	**616,982**	764,672
	2,259,773	4,157,680
Short term deposits with original maturities greater than three months	**(7,834)**	(12,911)
Restricted bank balances	**(1,242,664)**	(773,593)
	1,009,275	3,371,176

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

13 Cash and cash equivalents (continued)

During the year, the Group held amounts related to community service charges and security deposits on behalf of the owners of units in certain buildings or communities that are managed by the Group. At the end of the reporting period, an amount of AED 56.5 million is not included in the Group's bank balances and cash as it is held by the Group on behalf of third parties.

The interest rate on term deposits ranges between 0.60% and 1.8% (2011: 2.25% and 3.55%) per annum. All bank deposits are placed with local banks in the United Arab Emirates.

14 Share capital

Share capital comprises 4,085,129,096 (2011: 4,085,129,096) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each. Share issuance costs of AED 94.9 million (31 December 2011: AED 94.9 million) have been presented net of share issuance fees of AED 15.0 million, within equity.

In the previous year, the following transactions occurred:

(a) The Group converted the non-interest bearing convertible bonds issued to Mubadala Development Company into 303,734,868 shares of the Company (Note 17).

(b) A portion of the mandatorily convertible bonds issued to Mubadala Development Company was converted into 1,203,499,493 shares of the Company (Note 18a).

15 Share premium

Share premium amounting to AED 7,984.9 million (2011: AED 7,984.9 million) represents the difference between the carrying amount of convertible bonds and the par value shares issued upon conversion of convertible bonds into shares of the Company.

16 Statutory reserve

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

17 Non-interest bearing convertible bonds

During 2008, the Group issued non-interest bearing convertible bonds (the "Bonds") to a related party (the "Bond holder"). The Bonds had a face value of AED 3,562.8 million and an original maturity date in November 2011. Under the scheme, there was no early conversion option available to the Bond holder. However, the Bonds may be converted to ordinary shares at any date before the maturity date at the option of the Group.

During 2011, the Group opted for early conversion and converted these Bonds into 303,734,868 shares in the Company.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

18 Convertible bonds

	Outstanding at 31 December			
	2012	2011		
	Corporate bonds (a) AED'000	Corporate bonds (a) AED'000	Sukuk Al-Mudarab (b) AED'000	Total AED'000
Proceeds from the issue of convertible bonds	2,800,000	2,800,000	9,291,124	12,091,124
Less: Issuance costs	-	-	(210,824)	(210,824)
Net proceeds from the issue of convertible bonds	-	2,800,000	9,080,300	11,880,300
Equity component on initial recognition	-	-	(232,032)	(232,032)
Liability component on initial recognition	-	2,800,000	8,848,268	11,648,268
Redemption of convertible bonds by cash	-	-	(4,154,181)	(4,154,181)
Redemption of convertible bonds by share issue	(2,106,124)	(2,106,124)	(4,694,087)	(6,800,211)
Carrying amount of liability component after redemption	693,876	693,876	-	693,876
Profit distribution accrued up to year end	8,712	31,177	-	31,177
Carrying amount of liability component at 31 December	702,588	725,053	-	725,053
Less: Current portion	(702,588)	(31,177)	-	(31,177)
Non-current portion	-	693,876	-	693,876
Total profit capitalised to projects during the year	5,290	24,293	76,679	100,972

(a) In March 2011, the Group issued mandatorily convertible bonds (the "convertible bonds") for a total value of AED 2.8 billion to a related party (the "bond holder") carrying a profit rate of 4% per annum payable semi-annually. A significant portion of these bonds has been converted into ordinary shares of the Company on 15 December 2011. Any outstanding bonds shall be converted on 15 December 2013 or earlier as may be agreed between the Group and the bond holder at a variable rate stipulated in the agreement. Considering the nature of the transaction, the remaining portion of these bonds has been presented as a financial liability in accordance with the relevant Accounting Standards.

(b) In March 2007, the Group issued convertible bonds in the form of Trust Certificates/Sukuk al-Mudaraba (the "convertible Sukuk") for a total value of AED 9.29 billion (USD 2.53 billion). The convertible Sukuk had a profit rate of 5.767% per annum paid quarterly and were due for repayment on 10 November 2011. During 2011, the Sukuk was redeemed by the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

19 Non-convertible bonds

	Outstanding at 31 December 2012			Outstanding at 31 December 2011		
	Sukuk- Al- Ijarah (a)	Corporate Bonds (b)	Total	Sukuk - Al -Ijarah (a)	Corporate Bonds(b)	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Proceeds from issue	3,750,000	4,590,000	8,340,000	3,750,000	4,590,000	8,340,000
Gross issue costs	(16,303)	(30,366)	(46,669)	(16,303)	(30,366)	(46,669)
Less: Amortisation of issue costs up to year end	14,688	21,761	36,449	11,424	15,689	27,113
Unamortised issue costs	(1,615)	(8,605)	(10,220)	(4,879)	(14,677)	(19,556)
Add: Profit distribution up to year end	4,766	47,972	52,738	4,416	47,972	52,388
Carrying amount	3,753,151	4,629,367	8,382,518	3,749,537	4,623,295	8,372,832
Less: Current portion	(3,753,151)	(41,898)	(3,795,049)	(1,152)	(41,899)	(43,051)
	-	4,587,469	4,587,469	3,748,385	4,581,396	8,329,781
Total finance costs capitalised during the year	28,591	35,023	63,614	44,729	95,468	140,197

(a) During 2008, the Group issued non-convertible bonds in the form of Trust Certificates/Sukuk- al-Ijarah (the "non-convertible Sukuk") for a total value of AED 3.75 billion. The non-convertible Sukuk are structured to conform to the principles of Islamic Sharia. The non-convertible Sukuk have a profit rate of 3 months EIBOR plus 1.75% per annum paid quarterly and are due for repayment on 17 June 2013.

(b) In May 2009, the Group issued non-convertible Corporate Bonds for a total value of AED 4.59 billion (USD 1.25 billion). The Bonds have an interest rate of 10.75% (2011: 10.75%) per annum payable semi-annually and are due for repayment on 27 May 2014.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

20 Borrowings

	Outstanding amount								
	Current	Non-current	Total	Unused facility	Security	Interest rate	Maturity	Purpose	Capitalised interest
	AED'000	AED'000	AED'000	AED'000					AED'000
31 December 2012:									
Government loan	-	**311,869**	**311,869**	-	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	**-**
Term loan	**28,550**	**133,073**	**161,623**	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	**-**
Term loan	-	-	-	-	Secured	1 year EBOR + 3.15%	December 2012	General corporate purpose	**1,799**
Murabaha financing	**6,964**	**33,214**	**40,179**	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	**315**
Murabaha financing	**3,000**	**18,000**	**21,000**	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	**164**
Term loan	**367,200**	**-**	**367,200**	-	Secured	3 months USD LIBOR + 2.0%	October 2013	General corporate purpose	**2,800**
Murabaha financing	**120,301**	**120,301**	**240,601**	-	Secured	3 months EBOR + 2.75%	May 2014	Al Bateen Park	**2,071**
Ijarah facility	**600,000**	-	**600,000**	-	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	**4,574**
Term loan	-	-	-	-	Secured	Fixed rate of 0.5%	August 2012	Development of Central Market	**2,988**
Term loan	**216,000**	**76,000**	**292,000**	-	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	**2,970**
Ijarah facility	-	**500,000**	**500,000**	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	**3,812**
Ijarah facility	-	**500,000**	**500,000**	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	**3,812**
Ijarah facility	-	**500,000**	**500,000**	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	**3,812**
Murabaha facility	**8,333**	**300,000**	**308,333**	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	**2,449**
Wakala agency loan	**37,500**	**253,125**	**290,625**	-	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	-
Revolving loan	-	**800,000**	**800,000**	**3,200,000**	Secured	3 months EBOR + 1.50%	January 2015	General corporate purpose	**5,017**
Unamortised borrowing cost	**(29,925)**	**(8,763)**	**(38,688)**	-					-
Accrual for interests and profits	**30,031**	**4,442**	**34,473**	-					-
	1,387,954	**3,541,261**	**4,929,215**	**3,200,000**					**36,583**

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

20 Borrowings (continued)

	Outstanding amount								
	Current	Non-current	Total	Unused facility	Security	Interest rate	Maturity	Purpose	Capitalised interest
	AED'000	AED'000	AED'000	AED'000					AED'000
31 December 2011:									
Government loan	-	250,314	250,314	-	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	9,907
Syndicated infrastructure loan	-	-	-	-	Secured	3 months USD LIBOR + 0.90%	July 2011	Al Raha Beach infrastructure	37,312
Term loan	-	-	-	-	Secured	0.75% compounded quarterly	October 2011	Al Raha Beach infrastructure	6,811
Term loan	28,550	153,929	182,479	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Term loan	348,928	-	348,928	-	Secured	1 year EBOR + 3.15%	December 2012	General corporate purpose	4,723
Term loan	-	-	-	-	Secured	3 months EBOR + 3.00%	August 2011	General corporate purpose	4,926
Murabaha financing	6,964	40,179	47,143	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	583
Murabaha financing	3,000	21,000	24,000	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	296
Ijarah facility	2,203,800	-	2,203,800	-	Unsecured	3 months EBOR + 0.90%	April 2012	General corporate purpose	24,194
Term loan	-	-	-	-	Unsecured	3 months EBOR + 1.75%	December 2011	Working capital requirements	4,693
Term loan	-	367,200	367,200	-	Secured	3 months USD LIBOR + 1.40%	October 2013	General corporate purpose	3,449
Murabaha financing	120,301	240,601	360,902	-	Secured	3 months EBOR + 2.50%	May 2014	Al Bateen Park	17,199
Ijarah facility	-	600,000	600,000	-	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	12,422
Term loan	275,108	-	275,108	-	Secured	3 months LIBOR + 3.65%	January 2012	General corporate purpose	3,342
Term loan	1,100,000	-	1,100,000	-	Secured	3 months EBOR + 2.55%	August 2012	Development of Central Market	45,058
Term loan	108,000	292,000	400,000	-	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	4,764
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	7,138
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	7,138
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	7,138
Murabaha facility	33,334	308,333	341,667	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	5,266
Term loan	800,000	-	800,000	-	Secured	3 months EBOR + 3.00%	August 2012	Development of Central Market	41,461
Wakala agency loan	9,375	290,625	300,000	-	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	-
Unamortised borrowing cost	(11,861)	(7,828)	(19,689)	-					
Accrual for interests and profits	54,634	61,149	115,783	-					
	5,080,133	4,117,502	9,197,635	-					247,820

20 Borrowings (continued)

The borrowings are repayable as follows:

	2012	2011
	AED'000	AED'000
Current		
Within one year	**1,387,954**	5,080,133
Non-current		
In the second to fifth year	**3,521,957**	4,077,313
After fifth year	**19,304**	40,189
	3,541,261	4,117,502
	4,929,215	9,197,635

Loan securities are in the form of mortgage over plots of land, assignment of project receivables and lien on bank deposits.

Some of the Group's borrowings carry covenants relating to financial measures such as total assets value, net worth and gearing level.

21 Provision for end of service benefit

Movement in the provision for end of service benefit is as follows:

	2012	2011
	AED'000	AED'000
Balance at the beginning of the year	**46,981**	48,744
Charge for the year (Note 27)	**17,532**	20,286
Paid during the year	**(11,100)**	(19,855)
Transferred to a related party	-	(2,194)
Balance at the end of the year	**53,413**	46,981

22 Advances from customers

Advances from customers represent installments collected from customers for the sale of the Group's property developments. This also includes net advances received from the Government of Abu Dhabi (Note 33).

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

23 Trade and other payables

	2012 AED'000	2011 AED'000
Trade payables	**778,859**	1,049,891
Accrual for contractors' costs	**1,857,135**	3,516,092
Accrual for infrastructure costs	**254,802**	344,825
Advances from the Government (23.1)	**2,944,834**	3,089,995
Deferred income	**88,813**	53,896
Dividends payable	**22,305**	17,754
Provision for onerous contracts	**190,343**	252,005
Other liabilities	**324,697**	92,682
	6,461,788	8,417,140

23.1 Advances from the Government comprise advances amounting to AED 2,468.9 million (2011: AED 2,755.0 million) received for the development of infrastructure at Al Raha Beach.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24 Revenue

	2012 AED'000	2011 AED'000
Property development and sales	**9,965,877**	5,435,152
Income from operating businesses	**1,438,044**	1,307,438
	11,403,921	6,742,590

25 Direct costs

	2012 AED'000	2011 AED'000
Cost of properties sold	**7,216,314**	4,097,273
Direct costs for operating businesses	**950,016**	999,792
	8,166,330	5,097,065

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

26 Selling and marketing expenses

	2012 AED'000	2011 AED'000
Exhibitions and sponsorships	**1,807**	3,708
Project marketing	**1,065**	2,784
Corporate advertising	**8,479**	28,906
Others	-	88
	11,351	35,486

27 Staff costs

	2012 AED'000	2011 AED'000
Salaries, bonuses and other benefits	**536,598**	651,749
Staff training and development	**5,950**	1,900
Post-employment benefit (Note 21)	**17,532**	20,286
	560,080	673,935
Staff costs allocated to:		
Projects under development	**21,269**	80,185
Direct operating costs	**340,936**	348,164
Pre-opening expenses of operational businesses	-	1,774
General and administrative expenses	**197,875**	243,812
	560,080	673,935

28 Finance income

	2012 AED'000	2011 AED'000
Interest and profit income:		
Islamic deposits	**8,541**	26,471
Bank fixed deposits	**9,154**	24,058
Call and current accounts	**1,140**	4,694
Gross income	**18,835**	55,223
Less: Amounts offset against the finance costs capitalised	-	(5,958)
	18,835	49,265
Financing element earned on receivables, net	**141,765**	-
Interest income earned on receivables from project finance	**54,046**	56,206
Other finance income	**8,343**	16,876
	222,989	122,347

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

28 Finance income (continued)

Finance income earned on financial assets, analysed by category of asset is as follows:

	2012 AED'000	2011 AED'000
Loans and receivables	**204,154**	55,223
Cash and bank balances	**18,835**	67,124
	222,989	122,347

29 Finance costs

	2012 AED'000	2011 AED'000
Gross costs	**927,762**	1,576,188
Less: Amounts included in the cost of qualifying assets	**(105,487)**	(488,989)
	822,275	1,087,199
Recycling of hedging reserve loss	**13,107**	35,327
Gain on hedging	-	(18,053)
	13,107	17,274
	835,382	1,104,473

The weighted average capitalisation rate of funds borrowed is 0.76% per annum (2011: 1.88% per annum).

30 Other income

	2012 AED'000	2011 AED'000
Reversal of project provisions and cost recoveries	**431,533**	-
Government grant income (a)	-	3,100,398
Gain on sale of assets held for sale (b)	-	841,934
Others	**14,957**	8,179
	446,490	3,950,511

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Other income (continued)

(a) In 2011, the Group sold the Central Market development to the Government of Abu Dhabi against a total consideration of AED 5.7 billion. The difference between the fair value of the asset and consideration receivable has been received as compensation for previous costs incurred and has been recognised in profit or loss as a government grant in accordance with IAS 20 "Accounting for Government grants and disclosure of Government assistance".

(b) During 2011, the Group disposed of the Ferrari World Abu Dhabi theme park and related assets to the Government of Abu Dhabi in accordance with the terms of the asset transfer agreement dated 16 January 2011. Accordingly, a net gain of AED 841.9 million was recognised in the profit or loss in that year.

31 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

<u>**Earnings**</u>

	2012	2011
	AED'000	AED'000
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the company)	**1,340,658**	642,491

<u>**Weighted average number of shares**</u>

	2012	2011
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,481,629,603**	4,209,848,781

The weighted average number of shares for the year for the purpose of basic and diluted earnings per share includes ordinary shares that are to be issued upon the conversion of the mandatorily convertible bonds (Note 18a).

As of 31 December 2011, the Sukuk-al-Mudaraba (Note 18b) was not included in the calculation of diluted earnings per share, as the Sukuk were redeemed in cash on 10 November 2011.

32 Dividends

At the annual general assembly held on 22 March 2012, the Shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 0.05 per share or total of AED 204.3 million.

**Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)**

33 Transactions and balances with related parties

Related parties include the Company's major shareholders, Directors and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel. The Government of Abu Dhabi, through entities controlled, or jointly controlled by the Government of Abu Dhabi (together referred to as "Government") is a major shareholder in the Company.

Related party balances:

	2012 AED'000	2011 AED'000
Due from Government (net):		
Refundable costs (Note 10)	**4,601,270**	2,694,116
Receivable from assets sold	**6,735,218**	6,473,834
Other receivables	**394,170**	54,313
Advances received (Note 22 and 23)	**(4,270,897)**	(5,517,017)
	7,459,761	3,705,246
Due from joint ventures (Note 10):		
Current	**1,493**	12,950
Non-current	**118,317**	447,769
	119,810	460,719
Due to joint ventures for project-related work:		
Contract payables	**(32,502)**	(68,923)
Retention payables	**(52)**	(37,373)
Advances paid	-	6,458
	(32,554)	(99,838)
Deposits held with an associate	**-**	70,875

Certain receivables from joint ventures carry interest of 6% and are repayable within 2 to 5 years from the end of the year.

	2012 AED'000	2011 AED'000
Due from/(to) major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 10)	**493,022**	477,881
Due from a related party	**52,534**	201,025
Accrued expenses	-	(236,872)
Due to a major shareholder, net	**(72,155)**	(46,649)
Interest bearing convertible bonds (Note 18)	**(702,588)**	(725,053)
	(229,187)	(329,668)

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

33 Transactions and balances with related parties (continued)

Significant transactions with related parties during the year are as follows:

	2012 AED'000	2011 AED'000
Directors remuneration	**32,000**	-
Key management compensation:		
Salaries, bonuses and other benefits	**11,427**	11,677
Post-employment benefits	**357**	720
	43,784	12,397

During the year, the management reassessed the accounting policy on directors remuneration and determined that it should be reflected in the profit or loss. Accordingly, the amount of AED 16.0 million is accrued and expensed in the current year. The opening balance of the retained earnings has not been restated to reflect the directors remuneration of 2011 amounting to AED 16.0 million as the amount is considered immaterial.

	2012 AED'000	2011 AED'000
Income from Government and major shareholder owned by Government:		
Gain on disposal of assets held for sale (Note 30)	-	841,934
Revenue from sale of land and properties	**7,438,136**	3,589,235
Project management income	**217,988**	229,887
Rental income (gross inflows)	**201,853**	36,946
Government grant income (Note 30)	-	3,100,398
	7,857,977	7,798,400
Work provided by joint ventures	**12,093**	123,078
Finance income from project finance and joint ventures	**62,390**	73,083

In addition, these significant transactions were entered into with related parties during the previous year as follows:

a) On 16 January 2011, the Group converted AED 3,562.8 million worth of convertible bonds issued to Mubadala Development Company into 303,734,868 shares in the Company at an agreed conversion rate of AED 11.73. Consequently, the share capital and share premium of the Group have been increased by AED 303.7 million and AED 3,259.1 million, respectively.

b) On 3 March 2011, the Group issued mandatory convertible bonds of AED 2,800.0 million to Mubadala Development Company. On 15 December 2011, the Group partially converted AED 2,106.1 million worth of these bonds into 1,203,499,493 shares in the Company at an agreed conversion rate of AED 1.75. Consequently the share capital and share premium of the Group have been increased by AED 1,203.5 million and AED 902.6 million, respectively.

33 Transactions and balances with related parties (continued)

c) Outstanding borrowings of AED 4,505.1 million (31 December 2011: AED 8,560.4 million) are due to the Government and banks controlled by the Government. Further details have been disclosed in Note 20.

d) In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group sold the Ferrari World theme park and related assets and land plots on Yas Island for AED 10,900.0 million to the Government.

e) On 23 March 2011, the Group entered into a sale and purchase agreement to sell residential units and land plots for AED 1,255.8 million to the Government.

f) During 2011, two land plots previously sold to a related party were cancelled. The total revenue value of those plots was AED 188.9 million and the amount collected and fully refunded was AED 37.8 million.

g) On 27 December 2011, the Group entered into the following transactions with the Government of Abu Dhabi:

- Sold Central Market Project development for a consideration of AED 5,697.6 million and entered into a construction management agreement for AED 2,619.3 million;
- Received a reimbursement of AED 5,035.0 million towards the transfer of infra-structure assets, which was settled by the waiver of borrowings due to the Government;
- Sold residential units for AED 3,501.1 million

34 Commitments and contingencies

34 .1 Capital commitments

Capital expenditure contracted but not yet incurred at the end of the year is as follows:

	2012	2011
	AED'000	AED'000
Projects under development	**1,543,338**	2,974,452
Reimbursable project works in progress	**3,310,565**	9,631,585
Investments	**98,105**	68,590
Others	**38,449**	44,513
	4,990,457	12,719,140

The above commitments are spread over a period of one to five years.

The Group has paid an amount of AED 140.6 million (2011: AED 1,091.5 million) as advances to the suppliers and contractors against the above commitments.

34 Commitments and contingencies (continued)

34.2 Operating lease commitments

The Group as lessor

	2012	2011
	AED'000	AED'000
Buildings (over a period of 10 years):		
Within one year	**283,356**	263,756
In the second to fifth year	**862,416**	920,692
After five years	**629,127**	846,793
	1,774,899	2,031,241

The Group as lessee

The Group has annual operating lease commitments with respect to rental of land for one of its investment properties and buildings for staff accommodation. The minimum lease payments are as follows:

	2012	2011
	AED'000	AED'000
Land (over a period of 68 years):		
Within one year	**12,091**	11,768
In the second to fifth year	**51,793**	50,401
After five years	**62,583**	76,066
	126,467	138,235
Buildings (over a period of 5 years) :		
Within one year	**31,713**	96,960
In the second to fifth year	-	31,713
	31,713	128,673
	158,180	266,908

The Group does not have the option to purchase the leased premises at expiry of the lease period but the lease can be renewed upon mutual agreements of both parties.

34 Commitments and contingencies (continued)

34.3 Contingencies

Letters of credit and bank guarantees

	2012 AED'000	2011 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	**34,307**	22,796
Issued on behalf of a joint venture	-	13,413
	34,307	36,209
Group's share in contingencies of joint ventures	**4,777**	7,267

35 Financial instruments

35.1 Significant accounting policies

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

35.2 Categories of financial instruments

	2012 AED'000	2011 AED'000
Financial assets		
Available-for-sale financial assets	**151,461**	170,658
Loans and receivables (including cash and bank balances)	**15,271,031**	15,314,751
Total	**15,422,492**	15,485,409
Financial liabilities		
Financial liabilities measured at cost	**18,160,067**	24,787,946
Derivative instruments in designated hedge accounting relationship	**39,378**	36,408
Total	**18,199,445**	24,824,354

35 Financial instruments (continued)

35.3 Financial risk management

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks based on internally developed models, benchmarks and forecasts. The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group analyses financial risks under the following captions:

35.4 Capital risk management

Capital risk is the risk that the Group is not able to manage its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

The Group's capital structure comprises borrowings disclosed in Notes 18, 19 and 20, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and accumulated losses as disclosed in the consolidated statement of changes in equity.

The Group monitors and adjusts its capital structure with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, rigorous investment appraisals and maintaining high standards of business conduct.

Key financial measures that are subject to regular review include cash flow projections and assessment of their ability to meet contracted commitments, projected gearing levels and compliance with borrowing covenants, although no absolute targets are set for these.

The Group monitors its cost of debt on a regular basis. At 31 December 2012, the weighted average cost of debt was 6.11% (2011: 4.93%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of one (2011: two) borrowing arrangements require the Group maintaining a minimum equity of AED 6.0 billion.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

35 Financial instruments (continued)

35.5 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

a) Foreign currency risk management

The Group has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The Group's currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the Group consolidated accounts at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

Foreign currency sensitivity analysis

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2012 AED'000	2011 AED'000	**2012 AED'000**	2011 AED'000
US Dollar	**4,984,439**	5,237,730	**296,887**	39,246
Pound Sterling (a)	**1,850**	130	-	-
Euro (b)	**12,080**	22,598	-	-
	4,998,369	5,260,458	**296,887**	39,246

There is no significant impact on US Dollar as the UAE Dirham is pegged to the US Dollar.

Based on the sensitivity analysis to a 20% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

(a) there is AED 370 thousand (2011: AED 26 thousand) net revaluation gain/(loss) on the Pound Sterling outstanding balances.
(b) there is AED 2.4 million (2011: AED 4.5 million) net revaluation gain/(loss) on the Euro outstanding balances.

35 Financial instruments (continued)

35.5 Market risk management (continued)

b) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 13, 18, 19 and 20.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by AED 80.0 million (2011: profit decrease/increase by AED 120.2 million). The Group's sensitivity to interest rates has decreased due to significant loan repayments during the year.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

35 Financial instruments (continued)

35.5 Market risk management (continued)

***b) Interest rate risk management* (continued)**

Cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

	Average contracted fixed interest rate		**Notional principal amount**		**Fair value**		**Cash flows**	
	2012 %	2011 %	**2012 AED'000**	2011 AED'000	**2012 AED'000**	2011 AED'000	**2012 AED'000**	2011 AED'000
Less than 1 year	**5.93%**	5.92%	**257,916**	285,882	**1,947**	1,943	**1,947**	1,943
1 to 2 years	**5.93%**	5.93%	**238,038**	258,405	**9,294**	10,030	**9,294**	10,030
2 to 5 years	**6.07%**	5.92%	**151,540**	220,449	**20,849**	17,482	**20,849**	17,482
More than 5 years	**6.07%**	6.07%	**78,442**	89,532	**7,288**	6,955	**7,288**	6,955
			725,936	854,268	**39,378**	36,410	**39,378**	36,410

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

The carrying amount of the Group's interest rate caps were adjusted to fair value at 31 December 2012 amounting to AED Nil (2011: AED Nil). The net loss related to the time value of money amounting to AED Nil thousand (2011: net loss of AED 797.0 thousand) was included in profit or loss for the year.

The fair value of the interest rate swaps and caps designated as cash flow hedges have been arrived at on the basis of a valuation carried out by Messrs JC Rathbone Associates Ltd., independent valuers not connected with the Group. Messrs JC Rathbone Associates Ltd. have appropriate qualifications and experience in the valuation of derivative financial instruments.

Fair value hedges

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. The carrying amount of the derivative was adjusted to fair value at 31 December 2012 amounting to AED Nil (2011: AED Nil). The net gain on fair value hedges amounting to AED Nil (2011: AED 238 thousand) was included in profit or loss for the year.

The Group's derivative financial instruments were contracted with counterparties operating in the United Arab Emirates.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

35 Financial instruments (continued)

35.6 Credit risk management

Credit risk in relation to the Group, refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and bank and cash balances and derivative financial assets (liquid assets).

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its trade customers.

At 31 December 2012, 100% (2011: 100%) of the deposits were placed with 5 banks. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank.

Trade and other receivables and balances with banks and derivative financial assets are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

35 Financial instruments (continued)

35.7 Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial assets and liabilities based on the earliest date on which the Group can be required to pay or collect. The table includes both interest and principal cash flows. Maturity profile of non-derivative financial assets and liabilities at the end of the reporting period is as follows:

	Effective interest rate	< 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
<u>31 December 2012:</u>							
Financial assets							
Non-interest bearing instruments		**231,683**	**373,056**	**6,669,151**	**5,679,907**	**-**	**12,953,797**
Receivables from project finance	12.43%	**-**	**17,466**	**109,497**	**295,348**	**415,445**	**837,756**
Variable interest rate instruments	Note 13	**400,136**	**609,148**	**1,250,498**	**-**	**-**	**2,259,773**
Total		**631,819**	**999,670**	**8,029,146**	**5,975,255**	**415,445**	**16,051,326**
Financial liabilities							
Non-interest bearing instruments	-	**196**	**822,350**	**5,042,901**	**1,162,750**	**-**	**7,028,197**
Non-convertible bonds	Note 19	**-**	**-**	**-**	**4,590,000**	**-**	**4,590,000**
Fixed interest rate instruments	4%	**-**	**-**	**8,712**	**-**	**-**	**8,712**
Variable interest rate instruments	Note 20	**15,414**	**30,698**	**1,341,842**	**3,521,957**	**19,304**	**4,929,215**
Total		**15,610**	**853,048**	**6,393,455**	**9,274,707**	**19,304**	**16,556,124**
<u>31 December 2011:</u>							
Financial assets							
Non-interest bearing instruments		209,121	114,462	3,850,230	6,780,810	347,889	11,302,512
Receivables from project finance	12.43%	34,204	-	57,099	298,259	487,099	876,661
Variable interest rate instruments	Note 13	3,045,436	331,455	780,789	-	-	4,157,680
Total		3,288,761	445,917	4,688,118	7,079,069	834,988	16,336,853
Financial liabilities							
Non-interest bearing instruments	-	256,935	514,016	4,305,262	1,488,288	-	6,564,501
Non-convertible bonds	Note 19	-	-	-	8,340,000	-	8,340,000
Fixed interest rate instruments	4%	-	-	31,177	693,876	-	725,053
Variable interest rate instruments	Note 20	331,039	86,393	4,662,701	4,077,313	40,189	9,197,635
Total		587,974	600,409	8,999,140	14,599,477	40,189	24,827,189

36 Fair value of financial instruments

Except as disclosed in the following table, Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	As at 31 December 2012	
Financial liabilities at amortised cost	**Carrying amount AED'000**	**Fair value AED'000**
Sukuk-al-Ijarah (Note 19)	**3,753,151**	**3,756,375**
Corporate bonds (Note 19)	**4,629,367**	**5,026,784**

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2012, the Group's financial assets that are stated at fair value are grouped as follows:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Available-for-sale investments				
Equities	**10,312**	**141,149**	-	**151,461**

The fair values of derivative instruments are determined by independent valuers (see Note 35.5) and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

There were no transfers between Levels during the year.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

37 Segment information

37.1 Business segments

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

Year ended 31 December 2012

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	9,965,877	634,151	210,208	415,508	140,252	37,925	11,403,921
Depreciation and amortisation	-	(7,964)	(109,786)	(253,310)	(28,337)	(8,353)	(407,750)
Project costs impairment/write-offs	(62,512)	(521)	918	(923,962)	-	-	(986,077)
Fair value losses	(110,923)	(59,023)	-	-	-	-	(169,946)
Segment profit/(loss)	2,512,979	264,432	(52,750)	(1,116,178)	(16,041)	1,388	1,593,830
Other income							446,490
Share of income from associates and joint ventures							121,489
Selling and marketing expenses							(8,131)
General and administrative expenses							(171,651)
Depreciation and amortisation							(26,837)
Loss on fair valuation of available-for-sale financial assets							(2,139)
Finance income							222,989
Finance costs							(835,382)
Profit for the year							1,340,658

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

37 Segment information (continued)

37.1 Business segments (continued)

Year ended 31 December 2011

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	5,435,152	540,966	196,277	419,081	113,111	38,003	6,742,590
Depreciation and amortisation	(2,824)	(3,704)	(194,218)	(307,072)	(19,933)	(9,307)	(537,058)
Project costs impairment/write-offs	(566,977)	(112,700)	(911,226)	(423,805)	-	(99,712)	(2,114,420)
Fair value losses	-	(540,732)	-	-	-	-	(540,732)
Other income	3,108,626	-	-	-	-	841,885	3,950,511
Segment profit/(loss)	3,791,616	(455,377)	(1,081,238)	(681,216)	(19,624)	737,078	2,291,239
Share of income from associates and joint ventures							102,388
Selling and marketing expenses							(33,168)
Depreciation and amortisation							(53,205)
Loss on fair valuation of available-for-sale financial assets							(38,500)
Other expenses							(640,467)
Finance income							118,677
Finance costs							(1,104,473)
Profit for the year							642,491

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

37 Segment information (continued)

37.1 Business segments (continued)

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

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2012								
Assets	**17,936,913**	**6,798,618**	**242,837**	**2,981,675**	**550,093**	**72,550**	**3,458,021**	**32,040,707**
Liabilities	**8,622,947**	**583,940**	**174,754**	**145,988**	**41,731**	**15,175**	**14,276,665**	**23,861,200**
Capital expenditure	**34,697**	-	-	-	-	-	**60**	**34,757**
Projects expenditure	**477,231**	**982,089**	-	-	-	-	-	**1,459,321**
As at 31 December 2011								
Assets	22,931,168	9,198,620	439,542	4,129,673	639,571	108,442	2,670,898	40,117,914
Liabilities	8,295,275	5,077,762	1,394,163	5,359,258	566,585	817,094	11,514,202	33,024,339
Capital expenditure	168,039	-	-	-	-	-	80,915	248,954
Projects expenditure	954,143	1,950,587	-	-	-	-	-	2,904,730

37 Segment information (continued)

37.1 Business segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of profits of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates and joint ventures, available for sale assets and 'other financial assets'.
  Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings, convertible and non-convertible bonds and 'other financial liabilities'.
  Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

37.2 Geographical segments

The Group operated only in one geographical segment, i.e., United Arab Emirates.

38 Non cash transactions

During 2011, the Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

- Conversion of convertible bonds into equity of AED 2,106.1 million (Note 18a).
- The investment property under development amounting to AED 2,452.2 million (Note 7) and the grant income amounting to AED 3,100.4 million have not all been received in cash resulting in a net receivable of AED 4,553.8 million at the end of the reporting period.
- The amounts received for the reimbursement of infrastructure assets of AED 5,035.0 million was settled by the waiver of borrowings due to the Government (Note 32g). The reimbursement reduced by AED 2,280.0 million of development work in progress (Note 11) and increased advances received from the government by AED 2,755.0 million (Note 23a).

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

39 Comparatives

During the year, restatement was made to the comparative amount for the year ended 31 December 2011 for the accrual for non-convertible bonds amounting to AED 43.05 million previously classified under trade and other payables has been disclosed under the current portion of non-convertible bonds in the consolidated statement of financial position for the year ended 31 December 2011.

The above restatements did not affect the total assets or total liabilities disclosed as at 31 December 2011 and had no impact on previously reported profit or equity.

40 Event after the reporting period

In the meeting held on 20 January 2013, the Boards of Directors of Aldar Properties PJSC ("Aldar") and Sorouh Real Estate PJSC ("Sorouh") have recommended a merger to their shareholders. The proposed transaction would be a statutory all-share merger, with Sorouh's shareholders receiving 1.288 Aldar shares for each Sorouh share they hold. On the effective date of the merger, Sorouh shares would be delisted from the Abu Dhabi Securities Exchange and Sorouh would be dissolved as a legal entity. Aldar will be named Aldar Sorouh Properties PJSC ("Aldar Sorouh").

The merger is subject to a number of conditions, including the approval of the merger by at least 75 per cent by value of the shares represented at the Extraordinary General Meetings of Aldar and Sorouh.

41 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 February 2013.

ALDAR PROPERTIES PJSC

Reports and consolidated financial statements for the year ended 31 December 2011

ALDAR PROPERTIES PJSC

Reports and consolidated financial statements for the year ended 31 December 2011

BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors, I am delighted to present the consolidated audited financial statements of Aldar Properties PJSC and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2011.

Principal activities

The principal activities of the Group continue to be the property development, investment and management of its real estate assets including offices, malls, hotels, schools, marinas, golf course and theme parks.

Financial results

The financial results of the Group have been presented on page 11 of these consolidated financial statements. Please also refer to financial review section for details.

Financial statements

The Directors reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2011.

Directors

The terms of the existing Board of Directors completed and the following Directors were appointed at the General Meeting on 21 April 2011:

Mr. Ali Eid AlMheiri	Chairman
Dr. Sultan Ahmed Al Jaber	Director
Mr. Khalifa Sultan Al Suwaidi	Director
Mr. Carlos Obeid	Director
Mr. Mansour Mohamed Al Mulla	Director
Mr. Saeed Mohamed Al Mazrouei	Director
Mr. Martin Lee Edelman	Director

Release

The Directors release from liability the external auditor and management in connection with their duties for the year ended 31 December 2011.

Auditor

Deloitte & Touche (M.E.) are eligible to be re-appointed as auditor for the year ending 31 December 2012 and have expressed their willingness to be re-appointed.

On behalf of the Board of Directors

Ali Eid AlMheiri
Chairman
13 February 2012

FINANCIAL REVIEW

The financial information contained in this review is based on the consolidated financial statements. The nature and accounting policies for individual line items have been detailed in Note 3 to the consolidated financial statements. Extracts from the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows are as follows:

Key consolidated income statement information	**2011 AED million**	2010 AED million
Revenue	**6,742.6**	1,791.1
Direct costs	**(5,097.1)**	(1,503.0)
Selling and marketing expenses	**(35.5)**	(83.4)
General and administrative expenses (i):		
Staff costs	**(243.8)**	(313.5)
Depreciation and amortisation	**(590.3)**	(514.1)
Pre-opening expenses of operational businesses	**(3.4)**	(80.6)
Other general and administrative expenses	**(132.0)**	(187.4)
	(969.5)	(1,095.6)
Finance costs, net	**(982.1)**	(455.0)
Other income/(expenses) (ii)	**4,014.4**	(11.8)
Profit/(loss) before impairments and fair value movements	**3,672.8**	(1,357.7)
Provisions for impairments/write-offs/cancellation/onerous contracts (iii)	**(2,489.6)**	(4,308.3)
Fair value loss on investment properties	**(540.7)**	(6,992.4)
	(3,030.3)	(11,300.7)
Profit/(loss) for the year	**642.5**	(12,658.4)

Key consolidated statement of financial position information	**2011 AED million**	2010 AED million
Property, plant and equipment	**4,866.3**	6,675.1
Investment properties	**6,000.7**	8,293.8
Development work in progress	**7,133.9**	13,877.9
Trade and other receivables	**12,413.9**	8,998.6
Cash and bank balances	**4,157.7**	2,431.5
Financing(iv)	**(18,252.5)**	(32,571.9)
Advances from customers	**(4,740.0)**	(2,687.6)
Trade and other payables	**(8,460.2)**	(6,171.1)
Net assets (total assets less total liabilities)	**7,093.6**	4,246.8

Key consolidated statement of cash flows information	**2011 AED million**	2010 AED million
Net cash generated from/(used in) operating activities	**4,300.3**	(2,714.8)
Net cash generated from investing activities	**7,296.0**	1,975.0
Net cash used in financing activities	**(8,873.4)**	(1,275.1)
Cash and cash equivalents at the end of the year	**3,371.2**	648.2
Short term deposits and restricted balances with banks	**786.5**	1,783.3
Cash and bank balances at the end of the year	**4,157.7**	2,431.5

(i) *Excludes provisions for impairments /write offs/ cancellation /onerous contracts of AED 2,489 .6 million, which has been shown separately.*

(ii) *Includes profit on assets held for sale, government grant income and share of profits/loss from associates and joint ventures and impairment of available for sale investments.*

(iii) *Comprises provisions for impairment of amounts due from joint ventures and loss on cancellation of sales of AED 415.2 million, project costs impaired and written off of AED 1,822.4 million and provision for onerous contracts of AED 252.0 million.*

(iv) *Financing is defined as outstanding balances from all borrowings, convertible and non-convertible bonds.*

FINANCIAL REVIEW (continued)

HIGHLIGHTS

In 2011, real estate market conditions remain challenging, however, we have delivered some significant milestones and have emerged in 2012 as a financially stronger company in a better position to meet our objectives going forward.

In 2011, the Board undertook a comprehensive review of Aldar's business model, finances and operations that resulted in two large transactions with the Government of Abu Dhabi and Mubadala Development Company totalling AED 36.2 billion. The first transaction was completed in January 2011 for AED 19.4 billion including sale of assets worth AED 16.5 billion to the Government of Abu Dhabi and issuance of convertible bonds for AED 2.8 billion to Mubadala Development Company. The second transaction was completed in December 2011 for AED 16.8 billion including the sale of assets worth AED 9.2 billion, transfer of infra-structure worth AED 5.0 billion and a construction management agreement worth AED 2.6 billion. These transactions were designed to create the solid financial foundation needed to drive returns to shareholders. Moreover, we have realigned our organisational structure, reduced headcount and refined our business processes.

In the back drop of tough market conditions we have delivered a strong set of results and completed several key projects during the year. Al Zeina and Al Muneera projects at Al Raha Beach were completed and phased deliveries have already started. A contract has been awarded for construction of the Yas Mall project with expected completion towards end of 2013. Our fee based development projects including Al Falah, Cleveland Clinic, Masdar, Central Market and infrastructure developments have grown in size and are progressing as per the development schedule providing critical fee based revenue to Aldar.

Major achievements during the year included:

- Completion of the largest IKEA store in the Middle East and North Africa region.
- Completion of Gardens Plaza, a new shopping and community centre in Al Raha Gardens.
- Three new Aldar Academies' schools (including one in Al Ain) became operational from September 2011.
- Completion of the first phase of Al Zeina, Al Muneera and Al Gurm.

HEADLINE RESULTS

The Group's revenue for the year grew to AED 6,742.6 million compared to AED 1,791.1 million for the year 2010, profit for the year before impairments and fair value movements was AED 3,672.8 million compared to loss of AED 1,357.7 million for the year ended 31 December 2010 mainly due to announced Government sales. The Group has written down the value of its assets to reflect the conditions that have affected the real estate market in the UAE and business reviews. Accordingly, appropriate provisions for impairment and fair value losses were recognised during the year. This has led to an earnings per share of AED 0.15 compared to a loss per share of AED 4.39 for the previous year.

FINANCIAL REVIEW (continued)

Significant variations have been analysed individually as follows:

ANALYSIS OF INCOME STATEMENT

Revenue

The Group's revenue is mainly generated from the sale of land and completed properties, rental income from investment properties and income from its operational businesses. The Group earned AED 5,435.2 million from sale of land plots and completed properties compared to AED 905.4 million for 2010. The increase was primarily due to revenue from land sales to the Government supplemented by increase in sale of residential units.

Revenue from the Group's other operational segments grew significantly compared to 2010 and the total revenue, including project management and rental income from investment properties was AED 1,307.4 million for 2011 compared to AED 885.7 million for the previous year.

Direct costs

Our direct operating costs include costs for infrastructure development, construction costs of projects, costs of operational businesses and direct costs incurred in the normal operating cycle of investment properties. For the year ended 31 December 2011, direct costs included AED 4,097.3 million for cost of land and completed properties sold, and AED 999.8 million as direct costs of operating businesses. The increase in direct costs is in line with the increase in revenue due to deliveries of land and units.

Selling and marketing expenses

Selling and marketing expenses for the year ended 31 December 2011 were 57% lower than the prior year mainly due to reduced marketing activities during 2011.

General and administrative expenses

The overall general and administrative expenses (excluding impairment losses) for the year ended 31 December 2011 was AED 969.5 million compared to AED 1,095.6 million for the year ended 31 December 2010. The general and administrative expenses for the year 2011 are lower by 11.5% compared to the comparative period primarily due to 22% decrease in staff costs and 96% reduction in pre-opening expenses of operational businesses partially offset by increase in depreciation charge and amortisation for the year by AED 76.1 million (15%) over 2010 figure due to an increase in operating assets.

Finance income/costs

The Group's finance income comprises interest on bank deposits, profit on Islamic deposits and finance income from project financing. The Group's finance costs comprise interest payments on its external financing and related hedging costs.

For 2011, the Group had net finance costs of AED 982.1 million compared to net finance cost of AED 455.0 million in previous year mainly due to the cessation of capitalisation of finance costs to projects as they are completed and a decrease in finance income as a result of lower cash balances.

FINANCIAL REVIEW (continued)

ANALYSIS OF INCOME STATEMENT (continued)

Other income

Other income comprises mainly of the gains due to the following transactions:

- The Group sold the Central Market project to the Government of Abu Dhabi against a total consideration of AED 5.7 billion. The difference between the fair value of the asset and consideration receivable has been received as compensation for previous costs incurred and has been recognised in profit or loss as a government grant in accordance with IAS 20 "Accounting for Government grants and disclosure of Government assistance".
- In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group disposed of the Ferrari World Abu Dhabi theme park and related assets to the Government of Abu Dhabi. Accordingly, a net gain of AED 841.9 million was recognised in the profit or loss for the year.

ANALYSIS OF FINANCIAL POSITION

Property, plant and equipment

The overall decrease in property, plant and equipment is due to the fact that certain of our assets were written down to their recoverable amount under the current market conditions. The remaining decrease is caused by the sale of the Central Market project to the Government of Abu Dhabi during the year. As a mixed used property, the Central Market costs were classified partly under Property, plant and equipment and the remaining under Investment properties.

Investment properties

Our investment properties portfolio comprises both completed properties and properties in the course of development including land. The decrease in investment properties is mainly because of the sale of the Central Market project to the Government of Abu Dhabi.

The Group also performs a comprehensive review for the assessment of fair value of its investment properties at each reporting date to bring them in line with their current market values. The majority of the valuations are carried out by an independent valuer using appropriate valuation techniques. As a result the Group has recorded fair value losses of AED 540.7 million on its investment properties.

Development work in progress

Development work in progress was AED 7,133.9 million as at 31 December 2011 compared to AED 13,877.9 million at 31 December 2010. During 2011, total additions (including transfers) to development work in progress were AED 2,595.6 million, which were offset by the costs of residential units completed and transferred to inventories and reimbursement of infrastructure.

Trade and other receivables

The Group's receivables have increased by 38% compared to the balance at 31 December 2010 mainly because of the amount receivable from the Government against the sale of assets.

FINANCIAL REVIEW (continued)

ANALYSIS OF FINANCIAL POSITION (continued)

Financing

The Group raises finance from various sources including conventional bank loans, Islamic finances and by issuing corporate bonds or Sukuk in international financial markets.

The Group's external financing at 31 December 2011 comprised borrowings of AED 9,197.6 million, convertible bonds of AED 725.1 million and non-convertible bonds of AED 8,329.8 million. The overall borrowings have decreased compared to 2010 because of the repayments of loans and bonds as per the repayment schedule and partial settlement of the Government loan against the transfer of infra-structure assets to the Government.

Net asset value

The net assets at 31 December 2011 have increased by 67% to AED 7,093.6 million compared to AED 4,246.8 million at 31 December 2010. The increase is contributed by both the profit for the year and the conversion of two debt instruments to share capital of the Company.

ANALYSIS OF CASH FLOWS

The Group had net cash inflows of AED 4,300.3 million from operating activities for 2011. This was primarily due to cash profits for the year, collections from customers and receipts from Government for the sale of land plots and refundable projects.

Cash flows from investing activities are significantly higher than the comparative year because of collection of AED 7.4 billion from the Government against sale of assets and movement in short-term bank deposits matured during the year. The positive cash flows were partly offset by the expenditure on our development projects.

Cash outflows for financing activities were mainly because of repayment of loans and redemption of convertible bonds. This impact was countered to certain extent by raising funds through fresh borrowings and convertible bonds issued to Mubadala Development Company.

Greg Fewer
Chief Financial Officer
13 February 2012

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aldar Properties PJSC
Abu Dhabi, U.A.E.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aldar Properties PJSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, 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 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.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

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

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

Saba Y. Sindaha
Registration Number 410
13 February 2012

Consolidated statement of financial position as at 31 December 2011

	Notes	2011 AED'000	2010 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**4,866,346**	6,675,138
Intangible assets	6	**7,954**	24,664
Investment properties	7	**6,000,675**	8,293,830
Investment in associates and joint ventures	8	**647,118**	542,647
Available-for-sale financial assets	9	**170,658**	144,590
Trade and other receivables	10	**7,172,531**	3,546,094
Other financial assets		-	1,379
Total non-current assets		**18,865,282**	19,228,342
Current assets			
Assets held for sale	30(b)	-	5,931,847
Development work in progress	11	**7,133,911**	13,877,865
Inventories	12	**4,719,722**	422,054
Trade and other receivables	10	**5,241,319**	5,452,541
Cash and bank balances	13	**4,157,680**	2,431,533
Total current assets		**21,252,632**	28,115,840
Total assets		**40,117,914**	47,344,182

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

Consolidated statement of financial position as at 31 December 2011 (continued)

	Notes	2011 AED'000	2010 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	4,085,129	2,577,895
Share premium	15	7,984,873	3,823,173
Share issuance costs, net	14	(79,920)	(79,920)
Statutory reserve	16	876,319	812,070
Hedging reserve		(52,968)	(98,186)
Fair value reserve		34,630	(18,500)
Convertible bonds – equity component		-	181,293
Non-interest bearing convertible bonds	17	-	3,562,810
Accumulated losses		(5,754,488)	(6,513,959)
Attributable to owners of the Company		7,093,575	4,246,676
Non-controlling interests		-	109
Total equity		7,093,575	4,246,785
Non-current liabilities			
Convertible bonds – liability component	18	693,876	-
Non-convertible bonds	19	8,329,781	8,320,444
Borrowings	20	4,117,502	9,440,619
Retentions payable		1,486,290	1,437,878
Provision for end of service benefit	21	46,981	48,744
Security deposits		1,998	26,279
Other financial liabilities		36,408	26,321
Total non-current liabilities		14,712,836	19,300,285
Current liabilities			
Convertible bonds – liability component	18	31,177	4,338,320
Borrowings	20	5,080,133	10,472,532
Advances from customers	22	4,740,002	2,687,581
Trade and other payables	23	8,460,191	6,171,089
Other financial liabilities		-	127,590
Total current liabilities		18,311,503	23,797,112
Total liabilities		33,024,339	43,097,397
Total equity and liabilities		40,117,914	47,344,182

Ali Eid AlMheiri	**Sami Asad**	**Greg Fewer**
Chairman	Chief Executive Officer	Chief Financial Officer

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

Consolidated income statement
for the year ended 31 December 2011

	Notes	2011 AED'000	2010 AED'000
Revenue	24	**6,742,590**	1,791,107
Direct costs	25	**(5,097,065)**	(1,503,010)
Gross profit		**1,645,525**	288,097
Selling and marketing expenses	26	**(35,486)**	(83,440)
General and administrative expenses:			
Staff costs	27	**(243,812)**	(313,497)
Depreciation and amortisation		**(590,263)**	(514,125)
Pre-opening expenses of operational businesses		**(3,441)**	(80,608)
Impairments/write-offs on projects		**(1,822,367)**	(2,898,393)
Loss on cancellation of sales	10.1	**(40,047)**	(804,750)
Provision for impairment of trade receivables	10.1	**-**	(605,106)
Provision for impairment of receivables from/ investment in associates and joint ventures	10.5	**(174,126)**	-
Provision for impairment of amounts due from a related party	10.6	**(201,025)**	-
Provision for onerous contracts	23	**(252,005)**	-
Other general and administrative expenses		**(132,002)**	(187,389)
Share of profit/(loss) from associates and joint ventures	8	**102,387**	(27,584)
Fair value loss on investment properties	7	**(540,732)**	(6,992,427)
Impairment loss on available-for-sale financial assets	9	**(38,500)**	-
Finance income	28	**122,347**	262,804
Finance costs	29	**(1,104,473)**	(717,792)
Other income	30	**3,950,511**	15,796
Profit/(loss) for the year		**642,491**	(12,658,414)
Profit/(loss) for the year attributable to owners of the Company		**642,491**	(12,658,414)

Earnings/(loss) per share

	Notes	AED per share	
Basic	31	**0.15**	(4.39)
Diluted	31	**0.15**	(4.39)

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

Consolidated statement of comprehensive income for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Profit/(loss) for the year	**642,491**	(12,658,414)
Other comprehensive income		
Gain/(loss) on fair valuation of available-for-sale financial assets	**34,630**	(18,500)
Impairment loss on available-for-sale financial assets transferred to profit or loss	**18,500**	-
Hedging losses transferred to carrying amounts of hedged items	**47,981**	255,821
Hedging losses recognised in profit or loss	**12,598**	75,130
Changes in fair value of cash flow hedges	**(15,361)**	(63,478)
Directors' remuneration	-	(15,400)
	98,348	233,573
Total comprehensive income/(loss) for the year	**740,839**	(12,424,841)
Total comprehensive income/(loss) for the year attributable to owners of the Company	**740,839**	(12,424,841)

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

Consolidated statement of changes in equity for the year ended 31 December 2011

	Notes	Share capital AED'000	Share premium AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Convertible bonds – equity component AED'000	Non-interest bearing convertible bonds AED'000	Accumulated losses AED'000	Attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2010		2,577,895	3,823,173	(79,920)	812,070	(365,659)	-	181,293	3,562,810	6,288,750	16,800,412	109	16,800,521
Loss for the year		-	-	-	-	-	-	-	-	(12,658,414)	(12,658,414)	-	(12,658,414)
Other comprehensive loss		-	-	-	-	267,473	(18,500)	-	-	(15,400)	233,573	-	233,573
Dividend for the year 2009		-	-	-	-	-	-	-	-	(128,895)	(128,895)	-	(128,895)
Balance at 1 January 2011		2,577,895	3,823,173	(79,920)	812,070	(98,186)	(18,500)	181,293	3,562,810	(6,513,959)	4,246,676	109	4,246,785
Profit for the year		-	-	-	-	-	-	-	-	642,491	642,491	-	642,491
Other comprehensive income		-	-	-	-	45,218	53,130	-	-	-	98,348	-	98,348
Conversion of bonds into shares	**17**	303,735	3,259,075	-	-	-	-	-	(3,562,810)	-	-	-	-
Issue of new shares	**14**	1,203,499	902,625	-	-	-	-	-	-	-	2,106,124	-	2,106,124
Purchase of non-controlling interests		-	-	-	-	-	-	-	-	(64)	(64)	(109)	(173)
Equity component of convertible bonds transferred to retained earnings upon maturity		-	-	-	-	-	-	(181,293)	-	181,293	-	-	-
Transfer to statutory reserve	**16**	-	-	-	64,249	-	-	-	-	(64,249)	-	-	-
Balance at 31 December 2011		**4,085,129**	**7,984,873**	**(79,920)**	**876,319**	**(52,968)**	**34,630**	**-**	**-**	**(5,754,488)**	**7,093,575**	**-**	**7,093,575**

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

Consolidated statement of cash flows
for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Cash flows from operating activities		
Profit/(loss) for the year	**642,491**	(12,658,414)
Adjustments for:		
Depreciation and amortisation	**590,263**	514,125
Finance income	**(122,347)**	(262,804)
Dividend income	**(5,658)**	(3,379)
Finance costs	**1,071,417**	682,056
Amortisation of prepaid finance costs	**33,056**	35,736
Gain on sale of assets held for sale	**(841,934)**	-
Government grant income	**(3,100,398)**	-
Impairment loss of available-for-sale financial assets	**38,500**	-
Fair value loss on investment properties	**540,732**	6,992,427
Share of (profit)/loss from associates and joint ventures	**(102,387)**	27,584
Provision for onerous contracts	**252,005**	-
Impairments/write-offs on projects	**1,822,367**	2,898,393
Provision for impairment of trade receivables/cancellations	**40,047**	1,409,856
Provision for impairment of amounts due from a related party	**201,025**	-
Provision for impairment of receivables from/ investment in associates and joint ventures	**174,126**	-
Gain on disposal of property, plant and equipment	**(1,344)**	(181)
Exchange gains	**-**	(4,328)
Provision for end of service benefit, net	**431**	14,821
Operating cash flows before changes in working capital	**1,232,392**	(354,108)
Changes in working capital:		
Decrease in trade and other receivables	**274,684**	763,220
Decrease/(increase) in development work in progress	**823,112**	(2,701,688)
Decrease/(increase) in inventories	**504,789**	(320,693)
Increase/(decrease) in retentions payable	**48,412**	(148)
(Decrease)/increase in security deposits	**(24,281)**	520
Increase in advances from customers	**2,052,421**	243,318
Decrease in trade and other payables	**(611,278)**	(345,213)
Net cash generated from/(used in) operating activities	**4,300,251**	(2,714,792)

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

Consolidated statement of cash flows
for the year ended 31 December 2011 (continued)

	2011 AED'000	2010 AED'000
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(245,123)**	(1,742,561)
Proceeds from disposal of property, plant and equipment	**1,588**	567
Payments for purchases of intangible assets	**(2,608)**	(8,846)
Additions to investment properties	**(1,938,832)**	(2,587,084)
Payments for investment in available-for-sale financial assets	**(21,438)**	-
Government grant received for the sale of an asset	**998,878**	-
Proceeds from disposal of investment in available-for-sale financial assets	**5,000**	-
Proceeds from disposal of held-for-sale assets	**7,412,475**	-
Finance income received	**75,579**	364,026
Dividends received	**13,908**	82,642
Movement in term deposits with original maturities above three months	**1,121,739**	6,082,667
Movement in restricted bank balances	**(124,946)**	(216,411)
Payment for purchase of share of non-controlling interest	**(173)**	-
Net cash generated from investing activities	**7,296,047**	1,975,000
Cash flows from financing activities		
Issue of convertible bonds	**2,800,000**	-
Financing raised	**2,151,941**	4,795,482
Repayment of borrowings	**(7,895,470)**	(4,293,022)
Finance costs paid	**(1,590,685)**	(1,385,537)
Payment on redemption of convertible bonds	**(4,070,022)**	-
Distribution to convertible bond holders	**(268,298)**	(250,843)
Dividends paid	**(824)**	(125,738)
Directors' remuneration paid	-	(15,400)
Net cash used in from financing activities	**(8,873,358)**	(1,275,058)
Net increase/(decrease) in cash and cash equivalents	**2,722,940**	(2,014,850)
Cash and cash equivalents at the beginning of the year	**648,236**	2,663,086
Cash and cash equivalents at the end of the year (Note 13)	**3,371,176**	648,236

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

Notes to the consolidated financial statements
for the year ended 31 December 2011

1 General information

The establishment of Aldar Properties PJSC (the "Company") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005.

The Company is domiciled in the United Arab Emirates and its registered office address is PO Box 51133, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as "the Group") are engaged in various businesses primarily the development, sales, investment, construction, management and associated services for real estate. In addition, the Group is also engaged in development, management and operation of hotels, schools, marinas, golf courses and theme parks.

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

International Financial Reporting Standards include: Standards – comprising International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) and Interpretations – comprising explanations originated from the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) as adopted by the International Accounting Standards Board (IASB).

2.1 New and revised IFRSs applied affecting presentation and disclosure

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

Amendments to IAS 24 Related Party Disclosures modify the definition of a related party and simplify disclosures for government-related entities. The Group has elected to provide comparative information for these disclosures in the current year (see Note 32).

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

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendments give first time adopters the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

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

2.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendments to IFRS 3 *Business Combinations*	The amendments clarify the measurement choice regarding non-controlling interests at the date of acquisition and regarding the accounting for share-based payment awards held by acquiree's employees.
Amendments to IAS 1 *Presentation of Financial Statements*	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.
Amendment to IAS 32 *Classification of Rights Issues*	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	The amendments address when refunds or reductions in future contributions should be regarded as available; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of a prepaid minimum funding contribution.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments.
Improvements to *IFRSs* issued in 2010	The application of *Improvements to IFRSs* issued in 2010 which amended IFRS 7, IAS 27, IAS 34 and IFRIC 13.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

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

2.3 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendment to IFRS 7 *Financial Instruments: Disclosures,* relating to Disclosures on Transfers of Financial Assets	1 July 2011
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendment to IFRS 1 *Severe Hyperinflation*	1 July 2011
Amendment to IAS 12 *Income Taxes* relating to Deferred Tax – Recovery of Underlying Assets	1 January 2012
Amendment to IAS 1 *Presentation of Financial Statements* relating to presentation of items of other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting of financial assets and financial liabilities	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendment to IAS 32 *Financial Instruments: Presentation* relating to offsetting of financial assets and financial liabilities	1 January 2014
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

Management anticipates that these amendments will be adopted in the financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities 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.

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

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties.
Al Jimi Mall LLC	100%	UAE	Development and management of investment property.
Addar Real Estate Services LLC	100%	UAE	Property development.
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of, and investment in, properties.
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services.
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services.
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings.
Farah Leisure Parks Management LLC	100%	UAE	Supervise, manage and operate theme parks.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services.
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery.
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities.
Yas Marina LLC	100%	UAE	Ownership, development and management of marinas and related activities.
Yas Yacht Club LLC	100%	UAE	Management of yachts and marine sports.
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels.
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs.
Al Muna Primary School LLC	100%	UAE	Providing educational services.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

3.4 Interests in joint ventures

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

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

3.5 Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less dividends received and less any impairment in the value of individual investments. The Group's share in the associate's results is recorded in the consolidated income statement.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3 Summary of significant accounting policies (continued)

3.6 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 recognised in the consolidated income statement at the fair value of the consideration received or receivable as follows:

Sale of properties

Revenue from the sale of properties is recognised when all of the following conditions have been satisfied:

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

Income from investment properties

Rental income
The Group's policy for recognition of revenue from operating leases is described in 3.7 below.

Service charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Group acts as principal in this respect.

Income from hotels

Income from hotels comprises revenue from rooms, food and beverages and other associated services provided, and is recognised when the goods are sold or services are rendered.

Income from leisure businesses

Income from leisure businesses comprises revenue from goods sold and services provided at marinas, golf course and theme parks, and is recognised when the goods are sold or services are rendered.

Income from schools

Registration fee is recognised as income when it is received. Tuition fee income is recognised on a monthly basis over the period of instruction. Tuition fees received in advance are recorded as deferred income.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

3 Summary of significant accounting policies (continued)

3.6 Revenue recognition (continued)

Interest income

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

3.7 Leasing

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

The Group as lessor

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

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.9 below).

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

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

3 Summary of significant accounting policies (continued)

3.8 Foreign currencies

For the purpose of these consolidated financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.9 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period during which they are incurred.

3.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	20 – 30
Labour camps	5
Leasehold improvements	3 – 4
Office equipment	3 – 5
Computers	3
Furniture and fixtures	5
Motor vehicles	4

3 Summary of significant accounting policies (continued)

3.10 Property, plant and equipment (continued)

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the relevant lease.

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3.11 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

3.12 Investment property

Investment property comprises completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment property is measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

3 Summary of significant accounting policies (continued)

3.13 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.14 Development work in progress

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

3.15 Inventories

Inventories comprise completed properties held for sale in the ordinary course of business and other operating inventories. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction/acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

3.16 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

Licenses

Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3 Summary of significant accounting policies (continued)

3.17 Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

3.18 Provisions

Provisions are recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

3 Summary of significant accounting policies (continued)

3.19 Employee benefits

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

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

3.20 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

3 Summary of significant accounting policies (continued)

3.21 Financial assets

Financial assets are classified into the following specified categories: ‘available-for-sale’ (AFS) financial assets, ‘loans and receivables’ and ‘cash and cash equivalents’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

AFS financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve in equity, with the exception of impairment losses, interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

Where the AFS investment is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously accumulated in the investment revaluation reserve is reclassified to the profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

Loans and receivables

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

3 Summary of significant accounting policies (continued)

3.21 Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

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

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

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

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

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3 Summary of significant accounting policies (continued)

3.21 Financial assets (continued)

Derecognition of financial assets

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

3.22 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 amortised 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 recognised and included in equity and is not subsequently remeasured.

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when recognition of interest would be immaterial.

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

3 Summary of significant accounting policies (continued)

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

Derecognition of financial liabilities

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

3.23 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps and interest rate caps.

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

Hedge accounting

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Note 34.5b sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

3 Summary of significant accounting policies (continued)

3.23 Derivative financial instruments (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit of loss 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 is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Interest rate caps are measured at fair value, with changes in time value recognised in the same line of the profit or loss as the recognised hedged item. Changes in intrinsic value are recognised in other comprehensive income and accumulated in hedging reserve in equity.

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

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

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

4.1 Critical judgments in applying accounting policies

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Classification of leases

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

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

Classification of properties

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

4.2 Key sources of estimation uncertainty

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

Fair value of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

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

4.2 Key sources of estimation uncertainty (continued)

Fair value of investment properties and investment properties under development (continued)

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2011, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range %
Targeted internal rate of return	13 - 17
Rental yield	8 - 11

Estimation of net realisable value for inventory and development work in progress

Properties held for resale and properties classified under development work in progress are stated at lower of cost or net realisable value (NRV). NRV is assessed with reference to sales prices, costs of completion and advances received and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available.

Impairment of property, plant and equipment and capital work in progress

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of investments in/receivable from joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired, entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment and/or receivable is recognised as an expense in profit or loss. Management is satisfied that no additional impairment is required on its investments and associates (Note 8) and it's receivables from associates and joint ventures (Note 10.5) in excess of amount already provided for investments in joint ventures and associates (Note 8).

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. This determination of whether the receivables are impaired, entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with the legal department and review of the current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided (see Note 10.1).

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

5 Property, plant and equipment

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2010	4,861,089	780,975	297,023	16,445	55,000	3,630	16,392	6,714,624	12,745,178
Additions	114,790	19,601	26,693	35,554	5,020	4,416	56	1,522,813	1,728,943
Finance costs capitalised during the year	12,433	2,723	-	-	-	-	-	350,092	365,248
Transfers, net	525,652	277,931	27,610	-	299	-	-	(1,602,220)	(770,728)
Reclassified as held for sale	-	-	-	-	-	-	-	(5,361,251)	(5,361,251)
Disposals	-	-	(180)	(307)	-	(805)	-	-	(1,292)
1 January 2011	5,513,964	1,081,230	351,146	51,692	60,319	7,241	16,448	1,624,058	8,706,098
Additions	16,157	-	46,867	9,957	7,544	226	164	168,039	248,954
Finance costs capitalised during the year	-	4,679	-	-	-	-	-	13,357	18,036
Transfers, net	180,348	407,235	(5,261)	(17,875)	(3,094)	(1,489)	-	(1,307,771)	(747,907)
Disposals	(36,347)	-	-	(775)	(50)	(1,243)	(5,061)	-	(43,476)
31 December 2011	5,674,122	1,493,144	392,752	42,999	64,719	4,735	11,551	497,683	8,181,705
Accumulated depreciation and impairment									
1 January 2010	37,600	246,520	29,473	6,030	15,014	1,864	8,561	-	345,062
Charge for the year	234,015	214,454	96,341	7,216	17,512	1,473	3,264	-	574,275
Disposals	-	-	(66)	(114)	-	(726)	-	-	(906)
Impairment loss recognised during the year	254,698	-	-	-	-	-	-	857,831	1,112,529
1 January 2011	526,313	460,974	125,748	13,132	32,526	2,611	11,825	857,831	2,030,960
Charge for the year	238,518	244,162	94,517	9,508	16,693	1,139	2,157	-	606,694
Transfers, net	-	-	(447)	(869)	(512)	(198)	-	(624,772)	(626,798)
Impairment loss recognised during the year	523,517	553,650	-	-	-	-	-	234,221	1,311,388
Disposals	-	-	-	(698)	(50)	(1,076)	(5,061)	-	(6,885)
31 December 2011	**1,288,348**	**1,258,786**	**219,818**	**21,073**	**48,657**	**2,476**	**8,921**	**467,280**	**3,315,359**
Carrying amount									
31 December 2011	**4,385,774**	**234,358**	**172,934**	**21,926**	**16,062**	**2,259**	**2,630**	**30,403**	**4,866,346**
31 December 2010	4,987,651	620,256	225,398	38,560	27,793	4,630	4,623	766,227	6,675,138

All of the Group's property, plant and equipment are located in the United Arab Emirates.

5 Property, plant and equipment (continued)

The depreciation charge for the year has been allocated as follows:

	2011 **AED'000**	2010 AED'000
Projects under development	**29,638**	75,933
General and administrative expenses	**577,056**	498,342
	606,694	574,275

During the year, the Group carried out a review of recoverable amounts of its property, plant and equipment. The review led to a recognition of impairment losses of AED 1,311.4 million (2010: AED 1,112.5 million), which has been recorded in profit or loss. The recoverable amount of relevant assets has been determined on the basis of their value in use by reference to the discounted cash flow method using discount rates of 7.5% (2010: 7.5% to 10%).

6 Intangible assets

	Licenses AED'000	**Computer software AED'000**	**Total AED'000**
Cost			
1 January 2010	12,471	59,590	72,061
Additions	-	8,846	8,846
Transferred to assets held for sale	(11,041)	-	(11,041)
1 January 2011	1,430	68,436	69,866
Additions	-	2,608	2,608
Transferred to a related party	-	(6,698)	(6,698)
31 December 2011	**1,430**	**64,346**	**65,776**
Accumulated amortisation			
1 January 2010	2,216	29,963	32,179
Charge for the year	552	15,231	15,783
Transferred to assets held for sale	(2,760)	-	(2,760)
1 January 2011	8	45,194	45,202
Charge for the year	2	13,205	13,207
Transferred to a related party	-	(587)	(587)
31 December 2011	**10**	**57,812**	**57,822**
Carrying amount			
31 December 2011	**1,420**	**6,534**	**7,954**
31 December 2010	1,422	23,242	24,664

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

7 Investment properties

Investment properties comprise completed properties (buildings and shopping mall) and properties under development, including land under development, at fair value. Movement during the year is as follows:

	2011			2010		
	Completed properties AED'000	**Properties under development AED'000**	**Total AED'000**	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the year	**3,022,390**	**5,271,440**	**8,293,830**	2,079,243	12,661,376	14,740,619
Development costs incurred during the year	-	**1,950,588**	**1,950,588**	-	2,414,141	2,414,141
Finance cost capitalised, net	-	**285,199**	**285,199**	-	399,630	399,630
Project costs written-off	-	**(54,583)**	**(54,583)**	-	(181,361)	(181,361)
Hedge capitalised	-	**12,674**	**12,674**	5,094	77,563	82,657
Decrease in fair value, net	**(246,339)**	**(294,393)**	**(540,732)**	(261,222)	(6,731,205)	(6,992,427)
Transfer upon completion	**637,947**	**(637,947)**	-	123,381	(123,381)	-
Asset sold during the year to the Government of Abu Dhabi	-	**(2,452,213)**	**(2,452,213)**	-	-	-
Transfers from/(to):						
Property, plant and equipment	-	**95,414**	**95,414**	1,018,579	(572,832)	445,747
Development work in progress	-	**(1,426,393)**	**(1,426,393)**	57,315	(1,740,517)	(1,683,202)
Asset held for sale	-	**(116,962)**	**(116,962)**	-	(562,314)	(562,314)
Trade and other receivables	-	**(46,147)**	**(46,147)**	-	(369,660)	(369,660)
Balance at the end of the year	**3,413,998**	**2,586,677**	**6,000,675**	3,022,390	5,271,440	8,293,830

The fair value of two buildings has been calculated by management with reference to discounted future estimated cash flows based on the existing lease contracts and the use of a discount rate of 10% per annum.

The fair values of the remaining investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation was determined by using the Residual Value Method and Income Capitalisation Method. The effective date of the valuation is 31 December 2011. Refer to Note 4 for the key assumptions used.

All investment properties are located in the United Arab Emirates.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

8 Investment in associates and joint ventures

Investee	Ownership interest	Voting power	Place of registration	Share in underlying net assets at 1 January 2011 AED'000	Share in current year's profit/(loss) AED'000	Provision for impairment AED'000	Share in hedging reserve AED'000	Unrealised profits AED'000	Dividends received AED'000	Allocated to current account of the associates/ joint ventures AED'000	Share in underlying net assets at 31 December 2011 AED'000
Associates											
Green Emirates Properties PJSC	20%	20%	Abu Dhabi	71,650	(13,670)	(18,755)	-	-	-	-	**39,225**
Aseel Finance PJSC	20%	20%	Abu Dhabi	103,562	7,783	-	-	-	-	-	**111,345**
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	2,672	1,459	-	-	-	-	-	**4,131**
Al Maabar International Investments LLC	20%	20%	Abu Dhabi	59,111	71,995	-	-	-	-	-	**131,106**
Abu Dhabi Finance Company LLC	16%	16%	Abu Dhabi	-	-	-	-	-	-	-	**-**
Iskandar Holdings Ltd	19%	19%	Cayman Islands	35,503	-	-	-	-	-	-	**35,503**
				272,498	67,567	(18,755)	-	-	-	-	**321,310**
Joint ventures											
Aldar Laing O'Rourke Construction LLC	51%	50%	Abu Dhabi	133,181	(1,307)	-	-	15,685	-	-	**147,559**
Aldar Readymix LLC	50%	50%	Abu Dhabi	17,191	(18,578)	-	-	(265)	-	1,652	**-**
Aldar Besix LLC	51%	50%	Abu Dhabi	31,215	-	-	-	(3,831)	-	-	**27,384**
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	65,011	78,458	-	(11,371)	-	-	-	**132,098**
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	23,551	2,474	-	-	992	(8,250)	-	**18,767**
Royal House LLC	50%	50%	Abu Dhabi	-	(18,598)	-	-	-	-	18,598	-
Nareel Island Development Company LLC	50%	50%	Abu Dhabi	-	-	-	-	-	-	-	-
Fadar Retail LLC	50%	50%	Abu Dhabi	-	(7,629)	-	-	-	-	7,629	-
Abu Dhabi Motor Sports Management LLC	-	-	Abu Dhabi	-	-	-	-	-	-	-	-
Textura Middle East LLC	50%	50%	Abu Dhabi	-	-	-	-	-	-	-	-
				270,149	34,820	-	(11,371)	12,581	(8,250)	27,879	**325,808**
				542,647	102,387	(18,755)	(11,371)	12,581	(8,250)	27,879	**647,118**

8 Investment in associates and joint ventures (continued)

Unrealised profits which comprise share of profits on various projects of the joint ventures within the Group amounted to AED 12.6 million (2010: AED 30.0 million).

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

	2011 AED'000	2010 AED'000
Total assets	**5,513,918**	4,993,012
Total liabilities	**(4,002,695)**	(3,816,634)
Net assets	**1,511,223**	1,176,378
Group's share of net assets of associates	**340,065**	272,498
Total revenue	**159,384**	176,231
Total loss for the year	**(28,163)**	(142,756)

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

	2011 AED'000	2010 AED'000
Total assets	**2,651,955**	3,441,361
Total liabilities	**(2,056,426)**	(2,901,594)
Net assets	**595,529**	539,767
Group's share of net assets of joint ventures	**325,808**	270,149
Total revenue	**320,615**	2,079,935
Total profit for the year	**116,295**	75,976

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

9 Available-for-sale (AFS) financial assets

	2011 **AED'000**	2010 AED'000
Investment in UAE unquoted securities	**114,074**	132,702
Investment in international unquoted securities	**56,584**	11,888
	170,658	144,590

Movement during the year is as follows:

	2011 **AED'000**	2010 AED'000
Balance at the beginning of the year	**144,590**	163,090
Additions	**21,438**	-
Disposals	**(10,000)**	-
Fair value gain/(loss) during the year, net	**14,630**	(18,500)
Balance at the end of the year	**170,658**	144,590

Subject to the Group's overall operating strategy, the Group intends to dispose of these investments in the normal course of business if a favourable price is offered. The consideration for the disposals during the year amounted to AED 10 million, of which cash received is AED 5 million with the balance included in other receivables.

During the year, dividend income received from AFS financial assets amounted to AED 5.7 million (31 December 2010: AED 3.4 million).

The total impairment loss on an AFS investment as at 31 December 2011 amounted to AED 38.5 million (31 December 2010: nil). This comprised of AED 20 million charged directly to profit or loss and AED 18.5 million which was transferred from the fair value reserve in equity to profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

10 Trade and other receivables

	2011 AED'000	2010 AED'000
Non-current portion		
Trade receivables (Note 10.1)	-	304,892
Less: Provision for impairment and cancellations	-	(124,446)
	-	180,446
Refundable costs (Note 10.2)	-	87,659
Receivable from project finance (Note 10.3)	**389,998**	408,220
Due from a related party (Note 10.6)	**201,025**	402,050
Receivable from the Government of Abu Dhabi (Note 10.4)	**6,133,739**	1,946,661
Due from joint ventures (Notes 10.5 & 32)	**447,769**	521,058
	7,172,531	3,546,094
Current portion		
Trade receivables (Note 10.1)	**720,688**	1,212,039
Less: Provision for impairment and cancellations	**(195,202)**	(558,955)
	525,486	653,084
Refundable costs (Note 10.2)	**2,694,116**	2,250,718
Receivable from project finance (Note 10.3)	**87,883**	68,368
Receivable from the Government of Abu Dhabi (Note 10.4)	**340,095**	342,863
Due from joint ventures (Notes 10.5 & 32)	**12,950**	37,452
Advances and prepayments	**1,278,374**	1,989,895
Accrued interest	**3,675**	21,624
Others	**298,740**	88,537
	5,241,319	5,452,541

10.1 Trade receivables

The Group's trade receivables consist of customers with a good credit standing. At the end of the year, 69% of the trade receivables (31 December 2010: 76% of the trade receivables) is due from its top five customers. The Group considers these customers to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Group.

Considering prevailing market conditions, the Group has mutually agreed with some of its customers to revise the terms of its receivables. Included in the Group's trade receivables are customer balances with a carrying amount of AED 227.5 million (31 December 2010: AED 196.6 million) which are past due at the end of the reporting date for which no allowance has been provided for as there was no significant change in the credit quality of the customers and the amounts are still considered recoverable.

No interest is charged and no collateral is taken on trade receivables.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

10 Trade and other receivables (continued)

10.1 Trade receivables (continued)

Ageing of trade receivables

	2011 AED'000	2010 AED'000
Not past due	**297,937**	636,956
Past due but not impaired:		
Up to 120 days	-	83,911
121 to 180 days	-	112,663
More than 180 days	**227,549**	-
	227,549	196,574
Past due and impaired		
Up to 120 days	-	21,940
121 to 180 days	**195,202**	661,461
	195,202	683,401
Total trade receivables	**720,688**	1,516,931

Movement during the year in provision for impairment and cancellations in trade receivables is as follows:

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	**683,401**	78,295
Loss on cancellations during the year	**40,047**	804,750
Impairment recognised during the year	-	605,106
Released upon cancellation of sales	**(528,246)**	(804,750)
Balance at the end of the year	**195,202**	683,401

10.2 Refundable costs

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation with development of infrastructure of various projects. These amounts will be refunded by the relevant Government Authorities upon completion.

10 Trade and other receivables (continued)

10.3 Receivable from project finance

	Minimum payments		Present value of minimum payments	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
Amounts receivable from project finance:				
Within one year	**91,303**	71,654	**87,883**	68,368
In the second to fifth year	**298,259**	298,259	**211,432**	211,428
After five years	**487,099**	561,663	**178,566**	196,792
	876,661	931,576	**477,881**	476,588
Less: unearned finance income	**(398,780)**	(454,988)	-	-
Present value of minimum payments receivable	**477,881**	476,588	**477,881**	476,588
Non-current receivables			**389,998**	408,220
Current receivables			**87,883**	68,368
			477,881	476,588

10.4 Receivable from the Government of Abu Dhabi

Receivable from the Government of Abu Dhabi represents the amount receivable against certain assets sold during the year (Note 30).

10.5 Due from joint ventures

	Non-current		Current	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
Gross receivables	**537,009**	521,058	**29,081**	37,452
Less: Provision for impairment	**(89,240)**	-	**(16,131)**	-
	447,769	521,058	**12,950**	37,452

In addition to above provisions, the Group provided for AED 18.8 million impairment of investment in an associate (Note 8) and AED 50 million restructuring costs on a joint venture.

10.6 Due from a related party

Due from related party is net of provision for impairment AED 201 million (2010: AED Nil).

11 Development work in progress

Development work in progress represents development and construction costs incurred on properties being constructed for sale. Movement during the year is as follows:

	2011 AED'000	2010 AED'000
Balance at beginning of the year	**13,877,865**	10,909,119
Developments during the year	**3,234,131**	3,291,770
Finance costs capitalised during the year, net	**179,796**	291,391
Hedging losses capitalised	**35,307**	182,381
Reimbursement received	**(2,279,988)**	-
Transfers from /(to):		
Investment properties	**1,426,393**	1,683,202
Refundable costs	**(26,463)**	(150,061)
Property, plant and equipment	-	(24,439)
Projects completed during the year:		
Transfers to inventory	**(4,857,034)**	-
Disposals (recognised in direct costs)	**(4,058,943)**	(734,045)
Project costs impairments/write-offs	**(397,153)**	(1,571,453)
Balance at the end of the year	**7,133,911**	13,877,865

All development work in progress projects are located in the United Arab Emirates.

12 Inventories

	2011 AED'000	2010 AED'000
Completed properties	**4,707,918**	385,654
Other operating inventories	**11,804**	36,400
	4,719,722	422,054

Completed properties in inventories are located in the United Arab Emirates.

13 Cash and cash equivalents

	2011 AED'000	2010 AED'000
Cash and bank balances	**3,393,008**	921,060
Short term deposits held with banks	**764,672**	1,510,473
	4,157,680	2,431,533
Short term deposits with original maturities greater than three months	**(12,911)**	(1,134,650)
Restricted bank balances	**(773,593)**	(648,647)
	3,371,176	648,236

13 Cash and cash equivalents (continued)

The interest rate on term deposits ranges between 2.25% and 3.55% (2010: 2.2% and 4.3%) per annum. All bank deposits are placed with local banks in the United Arab Emirates.

14 Share capital

Share capital comprises 4,085,129,096 (2010: 2,577,894,735) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each. Share issuance costs of AED 94.9 million (31 December 2010: AED 94.9 million) have been presented net of share issuance fees of AED 15.0 million, within equity.

During the year, the following transactions occurred:

(a) The Group converted the non-interest bearing convertible bonds issued to Mubadala Development Company into 303,734,868 shares of the Company (Note 17).

(b) A portion of the mandatorily convertible bonds issued to Mubadala Development Company was converted into 1,203,499,493 shares of the Company (Note 18a). The new shares were listed on the Abu Dhabi Exchange subsequent to the reporting date.

15 Share premium

Share premium amounting to AED 7,984.9 million (2010: AED 3,823.2 million) represents the difference between the carrying amount of convertible bonds and the par value shares issued upon conversion of convertible bonds into shares of the Company.

16 Statutory reserve

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

17 Non-interest bearing convertible bonds

During 2008, the Group issued non-interest bearing convertible bonds (the "Bonds") to a related party (the "Bond holder"). The Bonds had a face value of AED 3,562.8 million and an original maturity date in November 2011. Under the scheme, there was no early conversion option available to the Bond holder. However, the Bonds may be converted to ordinary shares at any date before the maturity date at the option of the Group.

During the year, the Group opted for early conversion and converted these Bonds into 303,734,868 shares in the Company.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

18 Convertible bonds

	Outstanding at 31 December 2011			Outstanding at 31 December 2010		
	Corporate bonds (a) AED'000	**Sukuk Al-Mudaraba (b) AED'000**	**Total AED'000**	Corporate bonds (a) AED'000	Sukuk Al-Mudaraba (b) AED'000	Total AED'000
Proceeds from the issue of convertible bonds	**2,800,000**	**9,291,124**	**12,091,124**	-	9,291,124	9,291,124
Less: Issuance costs	-	**(210,824)**	**(210,824)**	-	(210,824)	(210,824)
Net proceeds from the issue of convertible bonds	**2,800,000**	**9,080,300**	**11,880,300**	-	9,080,300	9,080,300
Equity component on initial recognition	-	**(232,032)**	**(232,032)**	-	(232,032)	(232,032)
Liability component on initial recognition	**2,800,000**	**8,848,268**	**11,648,268**	-	8,848,268	8,848,268
Redemption of convertible bonds by cash	**-**	**(4,154,181)**	**(4,154,181)**	-	(84,158)	(84,158)
Redemption of convertible bonds by share issue	**(2,106,124)**	**(4,694,087)**	**(6,800,211)**	-	(4,694,087)	(4,694,087)
Carrying amount of liability component after redemption	**693,876**	-	**693,876**	-	4,070,023	4,070,023
Profit distribution accrued up to year end	**31,177**	-	**31,177**	-	268,297	268,297
Carrying amount of liability component at 31 December	**725,053**	-	**725,053**	-	4,338,320	4,338,320
Less: Current portion	**(31,177)**	-	**(31,177)**	-	(4,338,320)	(4,338,320)
Non-current portion	**693,876**	-	**693,876**	-	-	-
Total profit capitalised to projects during the year	**24,293**	**76,679**	**100,972**	-	215,398	215,398

(a) In March 2011, the Group issued mandatorily convertible bonds (the "convertible bonds") for a total value of AED 2.8 billion to a related party (the "bond holder") carrying a profit rate of 4% per annum payable semi-annually. A significant portion of these bonds has been converted into ordinary shares of the Company on 15 December 2011. Any outstanding bonds shall be converted on 15 December 2013 or earlier as may be agreed between the Group and the bond holder at a variable rate stipulated in the agreement. Considering the nature of the transaction, the remaining portion of these bonds has been presented as a financial liability in accordance with the relevant Accounting Standards.

(b) In March 2007, the Group issued convertible bonds in the form of Trust Certificates/Sukuk al-Mudaraba (the "convertible Sukuk") for a total value of AED 9.29 billion (USD 2.53 billion). The convertible Sukuk has a profit rate of 5.767% per annum paid quarterly and are due for repayment on 10 November 2011. During the period, the Sukuk was redeemed by the Group.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

19 Non-convertible bonds

	Outstanding at 31 December 2011			Outstanding at 31 December 2010		
	Sukuk- Al- Ijarah (a)	**Corporate Bonds (b)**	**Total**	Sukuk - Al -Ijarah (a)	Corporate Bonds(b)	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Proceeds from issue	**3,750,000**	**4,590,000**	**8,340,000**	3,750,000	4,590,000	8,340,000
Gross issue costs	**(16,303)**	**(30,366)**	**(46,669)**	(16,303)	(30,366)	(46,669)
Less: Amortisation of issue costs up to year end	**11,424**	**15,689**	**27,113**	8,160	9,616	17,776
Unamortised issue costs	**(4,879)**	**(14,677)**	**(19,556)**	(8,143)	(20,750)	(28,893)
Add: Profit distribution up to year end	**4,416**	**47,972**	**52,388**	4,867	47,972	52,839
Carrying amount	**3,749,537**	**4,623,295**	**8,372,832**	3,746,724	4,617,222	8,363,946
Less: Current portion (included in accruals)	**(1,152)**	**(41,899)**	**(43,051)**	(1,603)	(41,899)	(43,502)
	3,748,385	**4,581,396**	**8,329,781**	3,745,121	4,575,323	8,320,444
Total finance costs capitalised during the year	**44,729**	**95,468**	**140,197**	109,563	315,964	425,527

(a) During 2008, the Group issued non-convertible bonds in the form of Trust Certificates/Sukuk- al-Ijarah (the "non-convertible Sukuk") for a total value of AED 3.75 billion. The non-convertible Sukuk are structured to conform to the principles of Islamic Sharia. The non-convertible Sukuk have a profit rate of 3 months EIBOR plus 1.75% per annum paid quarterly and are due for repayment on 17 June 2013.

(b) In May 2009, the Group issued non-convertible Corporate Bonds for a total value of AED 4.59 billion (USD 1.25 billion). The Bonds have an interest rate of 10.75% (2010: 10.75%) per annum payable semi-annually and are due for repayment on 27 May 2014.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

20 Borrowings

	Outstanding amount								
	Current	Non-current	Total	Unused facility	Security	Interest rate	Maturity	Purpose	Capitalised interest
	AED'000	AED'000	AED'000	AED'000					AED'000
31 December 2011:									
Government loan	-	**250,314**	**250,314**	-	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	9,907
Syndicated infrastructure loan	-	-	-	-	Secured	3 months USD LIBOR + 0.90%	July 2011	Al Raha Beach infrastructure	37,312
Term loan	-	-	-	-	Secured	0.75% compounded quarterly	October 2011	Al Raha Beach infrastructure	6,811
Term loan	**28,550**	**153,929**	**182,479**	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Term loan	**348,928**	-	**348,928**	-	Secured	1 year EBOR + 3.15%	December 2012	General corporate purpose	4,723
Term loan	-	-	-	-	Secured	3 months EBOR + 3.00%	August 2011	General corporate purpose	4,926
Murabaha financing	**6,964**	**40,179**	**47,143**	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	583
Murabaha financing	**3,000**	**21,000**	**24,000**	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	296
Ijarah facility	**2,203,800**	-	**2,203,800**	-	Unsecured	3 months EBOR + 0.90%	April 2012	General corporate purpose	24,194
Term loan	-	-	-	-	Unsecured	3 months EBOR + 1.75%	December 2011	Working capital requirements	4,693
Term loan	-	**367,200**	**367,200**	-	Secured	3 months USD LIBOR + 1.40%	October 2013	General corporate purpose	3,449
Murabaha financing	**120,301**	**240,601**	**360,902**	-	Secured	3 months EBOR + 2.50%	May 2014	Al Bateen Park	17,199
Ijarah facility	-	**600,000**	**600,000**	-	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	12,422
Term loan	**275,108**	-	**275,108**	-	Secured	3 months LIBOR + 3.65%	January 2012	General corporate purpose	3,342
Term loan	**1,100,000**	-	**1,100,000**	-	Secured	3 months EBOR + 2.55%	August 2012	Development of Central Market	45,058
Term loan	**108,000**	**292,000**	**400,000**	-	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	4,764
Ijarah facility	-	**500,000**	**500,000**	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	7,138
Ijarah facility	-	**500,000**	**500,000**	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	7,138
Ijarah facility	-	**500,000**	**500,000**	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	7,138
Murabaha facility	**33,334**	**308,333**	**341,667**	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	5,266
Term loan	**800,000**	-	**800,000**	-	Secured	3 months EBOR + 3.00%	August 2012	Development of Central Market	41,461
Wakala agency loan	**9,375**	**290,625**	**300,000**	-	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	-
Unamortised borrowing cost	**(11,861)**	**(7,828)**	**(19,689)**	-					
Accrual for interests and profits	**54,634**	**61,149**	**115,783**	-					
	5,080,133	**4,117,502**	**9,197,635**	-					**247,820**

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

20 Borrowings (continued)

	Outstanding amount Current	Non-current	Total	Unused facility	Security	Interest rate	Maturity	Purpose	Capitalised interest
	AED'000	AED'000	AED'000	AED'000					AED'000
31 December 2010:									
Government loan	-	5,125,150	5,125,150	123,740	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	33,796
Syndicated infrastructure loan	5,103,559	-	5,103,559	-	Secured	3 months USD LIBOR + 0.90%	July 2011	Al Raha Beach infrastructure	99,664
Revolving credit facility	-	-	-	-	Secured	3 months EBOR + 3.50%	August 2010	Al Raha Gardens Phase II and III	21,002
Term loan	301,633	-	301,633	-	Secured	0.75% compounded quarterly	October 2011	Al Raha Beach infrastructure	9,049
Term loan	28,550	174,535	203,085	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Term loan	367,293	-	367,293	-	Secured	1 year EBOR + 2.85%	April 2011	General corporate purpose	14,587
Term loan	300,000	-	300,000	-	Secured	3 months EBOR + 3.00%	August 2011	General corporate purpose	13,358
Murabaha financing	6,964	47,143	54,107	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	1,450
Murabaha financing	3,000	24,000	27,000	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	720
Ijarah facility	-	2,203,800	2,203,800	-	Unsecured	3 months EBOR + 0.90%	April 2012	General corporate purpose	51,712
Term loan	367,300	-	367,300	-	Unsecured	1 year EBOR + 1.75%	September 2011	Working capital requirements	11,733
Term loan	367,200	-	367,200	-	Secured	3 months USD LIBOR + 1.40%	October 2013	General corporate purpose	4,601
Murabaha financing	360,902	-	360,902	-	Secured	3 months EBOR + 2.50%	January 2011	Al Bateen Park	16,025
Ijarah facility	600,000	-	600,000	-	Secured	3 months EBOR + 2.50%	February 2011	Al Raha Beach infrastructure	28,671
Term loan	275,108	-	275,108	-	Secured	3 months LIBOR + 3.65%	June 2011	General corporate purpose	10,769
Term loan	1,100,000	-	1,100,000	-	Secured	3 months EBOR + 2.55%	August 2011	Development of Central Market	53,138
Term loan	400,000	-	400,000	-	Secured	3 months EBOR + 3.25%	May 2011	Working capital requirements	11,269
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	18,944
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	18,944
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	18,944
Murabaha facility	33,333	341,667	375,000	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	16,902
Term loan	800,000	-	800,000	-	Secured	3 months EBOR + 3.00%	August 2011	Development of Central Market	14,553
Unamortised borrowing cost	(21,202)	(12,596)	(33,798)						
Accrual for interests and profits	78,892	36,920	115,812						
	10,472,532	**9,440,619**	**19,913,151**	**123,740**					**469,831**

20 Borrowings (continued)

The borrowings are repayable as follows:

	2011	2010
	AED'000	AED'000
Current		
Within one year	**5,080,133**	10,472,532
Non-current		
In the second to fifth year	**4,077,313**	8,568,213
After fifth year	**40,189**	872,406
	4,117,502	9,440,619
	9,197,635	19,913,151

Loan securities are in the form of mortgage over plots of land, assignment of project receivables and lien on bank deposits.

Some of the Group's borrowings carry covenants relating to financial measures such as total assets value, net worth and gearing level.

As per the requirements of the covenants specified in two borrowing arrangements, the Group is required to maintain net assets (total equity) at AED 6.0 billion. During the year, the Group's net assets fell below AED 6.0 billion, however due to the partial conversion of the mandatory convertible bonds, the Group's net assets are AED 7.1 billion at the end of the reporting period. Due to a waiver received from the bank, the loans have been correctly disclosed as non-current as per the terms of the loan agreement.

21 Provision for end of service benefit

Movement in the provision for end of service benefit is as follows:

	2011	2010
	AED'000	AED'000
Balance at the beginning of the year	**48,744**	33,923
Charge for the year (Note 27)	**20,286**	19,784
Paid during the year	**(19,855)**	(4,963)
Transferred to a related party	**(2,194)**	-
Balance at the end of the year	**46,981**	48,744

22 Advances from customers

Advances from customers represent installments collected from customers for the sale of the Group's property developments.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

23 Trade and other payables

	2011 AED'000	2010 AED'000
Trade payables	**1,049,891**	1,516,913
Accrual for contractors' costs	**3,516,092**	3,168,279
Accrual for infrastructure costs	**344,825**	684,056
Advances from the Government (23a)	**3,089,995**	576,055
Deferred income	**53,896**	84,110
Dividends payable	**17,754**	18,578
Provision for onerous contracts	**252,005**	-
Other liabilities	**135,733**	123,098
	8,460,191	6,171,089

23a Advances from the Government comprise advances amounting to AED 2,755.0 million received for the development of infrastructure at Al Raha Beach.

23b The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24 Revenue

	2011 AED'000	2010 AED'000
Property development and sales	**5,435,152**	905,431
Income from operating businesses	**1,307,438**	885,676
	6,742,590	1,791,107

25 Direct costs

	2011 AED'000	2010 AED'000
Cost of properties sold	**4,097,273**	768,730
Direct costs for operating businesses	**999,792**	734,280
	5,097,065	1,503,010

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

26 Selling and marketing expenses

	2011 AED'000	2010 AED'000
Exhibitions and sponsorships	**3,708**	60,006
Project marketing	**2,784**	6,665
Corporate advertising	**28,906**	16,415
Others	**88**	354
	35,486	83,440

27 Staff costs

	2011 AED'000	2010 AED'000
Salaries, bonuses and other benefits	**651,749**	657,301
Staff training and development	**1,900**	32,924
Post-employment benefit (Note 21)	**20,286**	19,784
	673,935	710,009
Staff costs allocated to:		
Projects under development	**80,185**	111,299
Direct operating costs of operational businesses	**348,164**	237,410
Pre-opening expenses of operational businesses	**1,774**	47,803
General and administrative expenses	**243,812**	313,497
	673,935	710,009

28 Finance income

	2011 AED'000	2010 AED'000
Interest and profit income:		
Islamic deposits	**26,471**	92,393
Bank fixed deposits	**24,058**	135,148
Call and current accounts	**4,694**	2,175
Gross income	**55,223**	229,716
Less: Amounts offset against the finance costs capitalised	**(5,958)**	(54,487)
	49,265	175,229
Financing element earned on receivables, net	**-**	20,393
Interest income earned on receivables from project finance	**56,206**	57,904
Other finance income	**16,876**	9,278
	122,347	262,804

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

28 Finance income (continued)

Finance income earned on financial assets, analysed by category of asset is as follows:

	2011 AED'000	2010 AED'000
Loans and receivables	**55,223**	87,575
Cash and bank balances	**67,124**	175,229
	122,347	262,804

29 Finance costs

	2011 AED'000	2010 AED'000
Gross costs	**1,576,188**	1,724,602
Less: Amounts included in the cost of qualifying assets	**(488,989)**	(1,110,756)
	1,087,199	613,846
Recycling of hedging reserve loss	**35,327**	75,130
(Gain)/loss on hedging	**(18,053)**	28,816
	17,274	103,946
	1,104,473	717,792

The weighted average capitalisation rate of funds borrowed is 1.88% per annum (2010: 3.66% per annum).

30 Other income

	2011 AED'000	2010 AED'000
Government grant income (a)	**3,100,398**	-
Gain on sale of assets held for sale (b)	**841,934**	-
Others	**8,179**	15,796
	3,950,511	15,796

30 Other income (continued)

(a) During the year the Group sold the Central Market development to the Government of Abu Dhabi against a total consideration of AED 5.7 billion. The difference between the fair value of the asset and consideration receivable has been received as compensation for previous costs incurred and has been recognised in profit or loss as a government grant in accordance with IAS 20 "Accounting for Government grants and disclosure of Government assistance".

(b) In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group disposed of the Ferrari World Abu Dhabi theme park and related assets to the Government of Abu Dhabi. Accordingly, a net gain of AED 841.9 million was recognised in the profit or loss for the year.

31 Earnings/(loss) per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Earnings/(loss)

	2011 AED'000	2010 AED'000
Earnings/(loss) for the purpose of basic and diluted earnings per share (profit/(loss) for the year attributable to owners of the company)	**642,491**	(12,658,414)

Weighted average number of shares

	2011	2010
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**4,209,848,781**	2,881,629,603

The weighted average number of shares for the year for the purpose of basic and diluted earnings per share includes ordinary shares that are to be issued upon the conversion of the mandatorily convertible bonds (Note 18a).

As of 31 December 2011, the Sukuk-al-Mudaraba (Note 18b) was not included in the calculation of diluted earnings per share, as the Sukuk were redeemed in cash on 10 November 2011.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

32 Transactions and balances with related parties

Related parties include the Company's major shareholders, Directors and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel. The Government of Abu Dhabi, through entities controlled, or jointly controlled by the Government of Abu Dhabi (together referred to as "Government") is a major shareholder in the Company.

Related party balances:

	2011	2010
	AED'000	AED'000
Due from Government (net):		
Refundable costs (Note 10)	**2,694,116**	2,338,377
Receivable from assets sold (Note 10)	**6,473,834**	2,289,524
Other receivables	**54,313**	-
Advances received (Note 22 and 23)	**(5,517,017)**	(576,055)
	3,705,246	4,051,846
Due from joint ventures (Note 10):		
Current	**12,950**	32,938
Non-current	**447,769**	521,058
	460,719	553,996
Due to joint ventures for project-related work:		
Contract payables	**(68,923)**	(675,631)
Retention payables	**(37,373)**	(132,121)
Advances paid	**6,458**	54,070
	(99,838)	(753,682)
Deposits held with an associate	**70,875**	164,860

Certain receivables from joint ventures carry interest of 6% to 9% and are repayable within 2 to 5 years from the end of the year.

	2011	2010
	AED'000	AED'000
Due from/(to) major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 10)	**477,881**	476,588
Due from a related party	**201,025**	402,050
Accrued expenses	**(236,872)**	-
Due to a major shareholder, net	**(46,649)**	(24,497)
Interest bearing loan	-	(301,633)
Interest bearing convertible bonds (Note 18)	**(725,053)**	**-**
Non-interest bearing convertible bonds	-	(3,562,810)
	(329,668)	(3,010,302)

**Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)**

32 Transactions and balances with related parties (continued)

Significant transactions with related parties during the year are as follows:

	2011	2010
	AED'000	AED'000
Key management compensation:		
Salaries, bonuses and other benefits	**11,677**	42,582
Post-employment benefits	**720**	1,430
	12,397	44,012
Income from Government and major shareholder owned by Government:		
Gain on disposal of assets held for sale (Note 30)	**841,934**	-
Revenue from sale of land	**3,589,235**	-
Project management income	**229,887**	78,935
Rental income (gross inflows)	**36,946**	47,818
Government grant income (Note 30)	**3,100,398**	-
	7,798,400	126,753
Work provided by joint ventures	**123,078**	2,011,403
Finance income from project finance and joint ventures	**73,083**	67,183
Provision for cancellation of sales to a related party	-	124,446

In addition, these significant transactions were entered into with related parties during the year as follows:

a) On 16 January 2011, the Group converted AED 3,562.8 million worth of convertible bonds issued to Mubadala Development Company into 303,734,868 shares in the Company at an agreed conversion rate of AED 11.73. Consequently, the share capital and share premium of the Group have been increased by AED 303.7 million and AED 3,259.1 million, respectively.

b) On 3 March 2011, the Group issued mandatory convertible bonds of AED 2,800.0 million to Mubadala Development Company. On 15 December 2011, the Group partially converted AED 2,106.1 million worth of these bonds into 1,203,499,493 shares in the Company at an agreed conversion rate of AED 1.75. Consequently the share capital and share premium of the Group have been increased by AED 1,203.5 million and AED 902.6 million, respectively.

32 Transactions and balances with related parties (continued)

Significant transactions with related parties during the year were as follows (continued):

c) Outstanding borrowings of AED 8,560.4 million (31 December 2010: AED 14,261.0 million) are due to the Government and banks controlled by the Government. Further details have been disclosed in Note 20.

d) In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group sold the Ferrari World theme park and related assets and land plots on Yas Island for AED 10,900.0 million to the Government.

e) On 23 March 2011, the Group entered into a sale and purchase agreement to sell residential units and land plots for AED 1,255.8 million to the Government.

f) During the year, two land plots previously sold to a related party were cancelled. The total revenue value of these plots was AED 188.9 million and the amount collected and fully refunded was AED 37.8 million.

g) On 27 December 2011, the Group entered into the following transactions with the Government of Abu Dhabi:

- Sold Central Market Project development for a consideration of AED 5,697.6 million and entered into a construction management agreement for AED 2,619.3 million;
- Received a reimbursement of AED 5,035.0 million towards the transfer of infra-structure assets, which was settled by the waiver of borrowings due to the Government;
- Sold residential units for AED 3,501.1 million

33 Commitments and contingencies

33 .1 Capital commitments

Capital expenditure contracted but not yet incurred at the end of the year is as follows:

	2011	2010
	AED'000	AED'000
Projects under development	**2,974,452**	7,698,121
Reimbursable project works in progress	**9,631,585**	13,114,409
Investments	**68,590**	119,912
Others	**44,513**	14,376
	12,719,140	20,946,818

The above commitments are spread over a period of one to five years.

The Group has paid an amount of AED 1,091.5 million (2010: AED 1,756.1 million) as advances to the suppliers and contractors against the above commitments.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

33 Commitments and contingencies (continued)

33.2 Operating lease commitments

The Group as lessor

	2011	2010
	AED'000	AED'000
Buildings (over a period of 12 years):		
Within one year	**263,756**	223,989
In the second to fifth year	**920,692**	901,640
After five years	**846,793**	1,161,529
	2,031,241	2,287,158

The Group as lessee

The Group has annual operating lease commitments with respect to rental of land for one of its investment properties and buildings for staff accommodation. The minimum lease payments are as follows:

	2011	2010
	AED'000	AED'000
Land (over a period of 70 years):		
Within one year	**11,768**	11,455
In the second to fifth year	**50,401**	49,050
After five years	**76,066**	89,185
	138,235	149,690
Buildings (over a period of 5 years) :		
Within one year	**96,960**	109,691
In the second to fifth year	**31,713**	139,507
	128,673	249,198
	266,908	398,888

The Group does not have the option to purchase the leased premises at expiry of the lease period but the lease can be renewed upon mutual agreements of both parties.

**Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)**

33 Commitments and contingencies (continued)

33.3 Contingencies

Letters of credit and bank guarantees

	2011 AED'000	2010 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	**22,796**	24,507
Issued on behalf of a joint venture	**13,413**	35,915
	36,209	60,422
Group's share in contingencies of joint ventures	**7,267**	20,803

34 Financial instruments

34.1 Significant accounting policies

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

34.2 Categories of financial instruments

	2011 AED'000	2010 AED'000
Financial assets		
Available-for-sale financial assets	**170,658**	144,590
Loans and receivables (including cash and bank balances)	**15,314,751**	9,411,456
Derivative instruments in designated hedge accounting relationship	-	1,379
Total	**15,485,409**	9,557,425
Financial liabilities		
Financial liabilities measured at cost	**24,787,946**	39,403,461
Derivative instruments in designated hedge accounting relationship	**36,408**	153,911
Total	**24,824,354**	39,557,372

34 Financial instruments (continued)

34.3 Financial risk management

The Group's Corporate Finance and Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages financial risks based on internally developed models, benchmarks and forecasts. The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group analyses financial risks under the following captions:

34.4 Capital risk management

Capital risk is the risk that the Group is not able to manage its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

The Group's capital structure comprises borrowings disclosed in Notes 18, 19 and 20, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and accumulated losses/retained earnings as disclosed in the statement of changes in equity.

The Group monitors and adjusts its capital structure with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, rigorous investment appraisals and maintaining high standards of business conduct.

Key financial measures that are subject to regular review include cash flow projections and assessment of their ability to meet contracted commitments, projected gearing levels and compliance with borrowing covenants, although no absolute targets are set for these.

The Group monitors its cost of debt on a regular basis. At 31 December 2011, the weighted average cost of debt was 4.93% (2010: 4.3%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of two borrowing arrangements require the Group maintaining a minimum equity of AED 6.0 billion.

34 Financial instruments (continued)

34.5 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

a) Foreign currency risk management

The Group has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The Group's currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the Group consolidated accounts at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

<u>Foreign currency sensitivity analysis</u>

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
US Dollar	**5,237,730**	14,987,681	**39,246**	38,487
Pound Sterling (a)	**130**	-	-	150
Euro (b)	**22,598**	24,193	-	**-**
	5,260,458	15,011,874	**39,246**	38,637

There is no significant impact on US Dollar as the UAE Dirham is pegged to the US Dollar.

Based on the sensitivity analysis to a 20% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

(a) there is AED 26 thousand (2010: AED 30 thousand) net revaluation gain/(loss) on the Pound Sterling outstanding balances.
(b) there is AED 4.5 million (2010: AED 4.8 million) net revaluation gain/(loss) on the Euro outstanding balances.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

34 Financial instruments (continued)

34.5 Market risk management (continued)

b) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 13, 18, 19 and 20.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by AED 120.2 million (2010: loss increase/decrease by AED 198.8 million). The resulting loss is due to significant loan draw-downs and fresh borrowings during the year, in addition to reduced capitalisation of borrowing costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable interest bearing deposits and borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

34 Financial instruments (continued)

34.5 Market risk management (continued)

b) Interest rate risk management (continued)

Cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

	Average contracted fixed interest rate		Notional principal amount		Fair value		Cash flows	
	2011 **%**	2010 %	**2011** **AED'000**	2010 AED'000	**2011** **AED'000**	2010 AED'000	**2011** **AED'000**	2010 AED'000
Less than 1 year	**5.92%**	5.852% & 5.4035%	**285,882**	4,715,628	**1,943**	112,375	**1,943**	168,785
1 to 2 years	**5.93%**	5.917%	**258,405**	283,928	**10,030**	9,613	**10,030**	9,613
2 to 5 years	**5.92%**	5.906%	**220,449**	248,940	**17,482**	15,937	**17,482**	15,937
More than 5 years	**6.065%**	6.065%	**89,532**	119,534	**6,955**	(1,036)	**6,955**	-
			854,268	5,368,030	**36,410**	136,889	**36,410**	194,335

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

The carrying amount of the Group's interest rate caps were adjusted to fair value at 31 December 2011 amounting to AED Nil (2010: AED 797.0 thousand). The net loss related to the time value of money amounting to AED 797.0 thousand (2010: net loss of AED 28.6 million) was included in profit or loss for the year.

The fair value of the interest rate swaps and caps designated as cash flow hedges have been arrived at on the basis of a valuation carried out by Messrs JC Rathbone Associates Ltd., independent valuers not connected with the Group. Messrs JC Rathbone Associates Ltd. have appropriate qualifications and experience in the valuation of derivative financial instruments.

34 Financial instruments (continued)

34.5 Market risk management (continued)

***b) Interest rate risk management* (continued)**

Fair value hedges

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. The carrying amount of the derivative was adjusted to fair value at 31 December 2011 amounting to AED Nil (2010: AED 581.0 thousand). The net gain on fair value hedges amounting to AED 238 thousand (2010: net gain of AED 1.4 million) was included in profit or loss for the year.

The Group's derivative financial instruments were contracted with counterparties operating in the United Arab Emirates.

34.6 Credit risk management

Credit risk in relation to the Group, refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and bank and cash balances and derivative financial assets (liquid assets).

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its trade customers.

At 31 December 2011, 100% (2010: 86%) of the deposits were placed with 4 banks. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank.

Trade and other receivables and balances with banks and derivative financial assets are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

34 Financial instruments (continued)

34.7 Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial assets and liabilities based on the earliest date on which the Group can be required to pay or collect. The table includes both interest and principal cash flows. Maturity profile of non-derivative financial assets and liabilities at the end of the reporting period is as follows:

	Effective interest rate	< 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
31 December 2011:							
Financial assets							
Non-interest bearing instruments		**209,121**	**114,462**	**3,850,230**	**6,780,810**	**347,889**	**11,302,512**
Receivables from project finance	**12.43%**	**34,204**	-	**57,099**	**298,259**	**487,099**	**876,661**
Fixed interest rate instruments	-	-	-	-	-	-	-
Variable interest rate instruments	**Note 13**	**3,045,436**	**331,455**	**780,789**	-	-	**4,157,680**
Total		**3,288,761**	**445,917**	**4,688,118**	**7,079,069**	**834,988**	**16,336,853**
Financial liabilities							
Non-interest bearing instruments	-	**256,935**	**514,016**	**4,305,262**	**1,488,288**	-	**6,564,501**
Non-convertible bonds	**Note 19**	-	-	-	**8,340,000**	-	**8,340,000**
Fixed interest rate instruments	**4%**	-	-	**31,177**	**693,876**	-	**725,053**
Variable interest rate instruments	**Note 20**	**331,039**	**86,393**	**4,662,701**	**4,077,313**	**40,189**	**9,197,635**
Total		**587,974**	**600,409**	**8,999,140**	**14,599,477**	**40,189**	**24,827,189**
31 December 2010:							
Financial assets							
Non-interest bearing instruments	-	10,106	96,750	4,105,466	3,220,618	347,889	7,780,829
Receivables from project finance	12.41%	16,738	-	54,916	298,259	561,663	931,576
Fixed interest rate instruments	9.00%	-	-	-	8,600	-	8,600
Variable interest rate instruments	Note 13	1,160,178	275,939	995,416	-	-	2,431,533
Total		1,187,022	372,689	5,155,798	3,527,477	909,552	11,152,538
Financial liabilities							
Non-interest bearing instruments	-	256,457	529,412	4,617,136	1,437,878	-	6,840,883
Non-convertible bonds	Note 19	-	-	-	8,340,000	-	8,340,000
Fixed interest rate instruments	6.66%	-	62,730	4,842,274	-	-	4,905,004
Variable interest rate instruments	Note 20	417,975	1,264,753	8,507,839	8,580,809	872,406	19,643,782
Total		674,432	1,856,895	17,967,249	18,358,687	872,406	39,729,669

35 Fair value of financial instruments

Except as disclosed in the following table, Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	As at 31 December 2011	
<u>**Financial liabilities at amortised cost**</u>	**Carrying amount AED'000**	**Fair value AED'000**
Sukuk-al- Ijarah (Note 19)	**3,748,385**	**3,638,475**
Corporate bonds (Note 19)	**4,581,396**	**5,106,100**

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2011, the Group's financial assets that are stated at fair value are grouped as follows:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Available-for-sale investments				
Equities	6,572	12,500	151,586	**170,658**

The fair values of derivative instruments are determined by independent valuers (see Note 34.5) and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

There were no transfers between Levels during the year.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

36 Segment information

36.1 Business segments

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

Year ended 31 December 2011

	Property development and sales AED'000	Investment properties portfolio AED'000	Hotels AED'000	Schools AED'000	Operative villages AED'000	Leisure AED'000	Elimination AED'000	Group AED'000
Segment revenue	5,435,152	540,966	419,081	113,111	196,277	38,003	-	6,742,590
Depreciation and amortisation	(2,824)	(3,704)	(307,072)	(19,933)	(194,218)	(9,307)	-	(537,058)
Project costs impairment/write-offs	(566,977)	(112,700)	(423,805)	-	(911,226)	(99,712)	-	(2,114,420)
Fair value losses	-	(540,732)	-	-	-	-	-	(540,732)
Other income	3,108,626	-	-	-	-	841,885	-	3,950,511
Segment profit/(loss)	3,791,616	(455,377)	(681,216)	(19,624)	(1,081,238)	737,078	-	2,291,239
Share of income from associates and joint ventures								102,388
Selling and marketing expenses								(33,168)
Depreciation and amortisation								(53,205)
Loss on fair valuation of available-for-sale financial assets								(38,500)
Other expenses								(640,467)
Finance income								118,677
Finance costs								(1,104,473)
Profit for the year								642,491

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

36 Segment information (continued)

36.1 Business segments (continued)

Year ended 31 December 2010

	Property development and sales AED'000	Investment properties portfolio AED'000	Hotels AED'000	Schools AED'000	Operative villages AED'000	Leisure AED'000	Elimination AED'000	Group AED'000
Segment revenue	905,431	325,036	314,239	90,757	94,116	70,989	(9,461)	1,791,107
Depreciation and amortisation	(481)	(1,397)	(315,758)	(16,098)	(138,567)	(13,253)	-	(485,554)
Project costs impairment/write-offs	(3,802,873)	(181,361)	-	-	(205,847)	(118,168)	-	(4,308,249)
Fair value losses	-	(6,992,427)	-	-	-	-	-	(6,992,427)
Other income	15,814	-	-	-	-	(17)	-	15,797
Segment loss	(3,727,830)	(7,079,729)	(348,105)	(12,992)	(319,171)	(254,851)	(5,973)	(11,748,651)
Share of income from associates and joint ventures								(27,584)
Selling and marketing expenses								(76,724)
Depreciation and amortisation								(28,571)
Other expenses								(332,966)
Finance income								262,691
Finance costs								(706,609)
Loss for the year								(12,658,414)

Inter-segment revenue eliminated on consolidation fully pertains to Schools segment.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

36 Segment information (continued)

36.1 Business segments (continued)

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

	Property development and sales AED'000	Investment properties portfolio AED'000	Hotels AED'000	Schools AED'000	Operative villages AED'000	Leisure AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2011								
Assets	**22,931,168**	**9,198,620**	**4,129,673**	**639,571**	**439,542**	**108,442**	**2,670,898**	**40,117,914**
Liabilities	**8,295,275**	**5,077,762**	**5,359,258**	**566,585**	**1,394,163**	**817,094**	**11,514,202**	**33,024,339**
Capital expenditure	**168,039**	**-**	**-**	**-**	**-**	**-**	**80,915**	**248,954**
Projects expenditure	**954,143**	**1,950,587**	**-**	**-**	**-**	**-**	**-**	**2,904,730**
As at 31 December 2010								
Assets	27,519,445	11,021,483	4,936,335	261,049	103,024	289,119	3,213,727	47,344,182
Liabilities	4,537,884	4,801,077	5,484,703	332,374	208,795	892,941	26,839,623	43,097,397
Capital expenditure	1,522,813	-	-	-	-	-	214,977	1,737,790
Projects expenditure	3,291,770	2,414,142	-	-	-	-	-	5,705,912

**Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)**

36 Segment information (continued)

36.1 Business segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of profits of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates and joint ventures, available for sale assets and 'other financial assets'.
  Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings, convertible and non-convertible bonds and 'other financial liabilities'.
  Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

36.2 Geographical segments

The Group operated only in one geographical segment, i.e., United Arab Emirates.

37 Non cash transactions

During the current year, the Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

- Conversion of convertible bonds into equity of AED 2,106.1 million (Note 18a).
- The investment property under development amounting to AED 2,452.2 million (Note 7) and the grant income amounting to AED 3,100.4 million have not all been received in cash resulting in a net receivable of AED 4,553.8 million at the end of the reporting period.
- The amounts received for the reimbursement of infrastructure assets of AED 5,035.0 million was settled by the waiver of borrowings due to the Government (Note 32g). The reimbursement reduced by AED 2,280.0 million of development work in progress (Note 11) and increased advances received from the government by AED 2,755.0 million (Note 23a).

38 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 February 2012.

SOROUH REAL ESTATE PJSC

Reports and consolidated financial statements for the year ended 31 December 2012

SOROUH REAL ESTATE PJSC

Reports and consolidated financial statements for the year ended 31 December 2012

Board of Directors' report
for the year ended 31 December 2012

On behalf of the Board of Directors, I am pleased to present the audited consolidated financial statements of Sorouh Real Estate PJSC (Sorouh) for the year ended 31 December 2012.

Financial results

Sorouh has earned profits of AED 507.5 million for the year ended 31 December 2012 compared to AED 383.3 million for the year ended 31 December 2011. Earnings per share for the year ended 31 December 2012 amount to AED 0.169 compared to AED 0.127 for the prior year. Sorouh's asset base increased to AED 14.3 billion during this year from AED 14.1 billion for the prior year.

Release

The Directors propose to discharge the Chairman and Members of the Board of Directors and auditors from liabilities related to the performance of their duties for the year ended 31 December 2012.

Auditors

Deloitte & Touche (M.E.) are eligible to be re-appointed as auditor for the year ending 31 December 2013 and have expressed their willingness to be re-appointed.

Board of Directors

As at the end of the reporting period, the Board of Directors comprises:

H.E. Mubarak Mattar Al Hamiri	Chairman
Mr. Suhail Mohamed Faraj Al Mazrouei	Vice Chairman
Mr. Abubaker Seddiq Al Khouri	Managing Director
Mr. Yousif Mohammed Al Nowais	Director
Mr. Ali Bin Sulayem Al Falasi	Director
Mr. Ahmed Khalifa Mohamed Al Mehairi	Director
Mr. Salem Ibrahim Al Mazrouei	Director

During the year H.E. Saeed Eid Al Ghafli resigned as Chairman and Mr. Mohamed Khalaf Al Mazrouei resigned as Vice Chairman. H.E. Al Ghafli was replaced by H.E. Mubarak Mattar Al Hamiri.

On behalf of the Board of Directors

Mubarak Mattar Al Hamiri
Chairman
30 January 2013

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sorouh Real Estate PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, 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 whether the consolidated financial statements are free from material misstatement.

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

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

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
30 January 2013

Consolidated statement of financial position as at 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	169,164	146,983
Investment properties	6	4,102,985	3,310,076
Intangible assets	7	123,673	125,809
Goodwill	8	162,925	198,760
Investment in associates and interest in joint ventures	9	316,662	340,019
Available-for-sale financial assets	10	119,072	120,254
Prepaid leases		18,424	18,857
Finance lease receivable	11	112,282	112,313
Trade and other receivables	12	389,593	406,069
Total non-current assets		5,514,780	4,779,140
Current assets			
Inventories	14	82,773	43,493
Land held for resale	15	527,608	527,608
Development work-in-progress	16	4,129,393	4,142,923
Financial assets at fair value through profit or loss	17	-	2,535
Finance lease receivable	11	8,622	9,312
Trade and other receivables	12	2,411,642	2,501,797
Due from related parties	32	292,710	305,452
Cash and bank balances	18	1,339,175	1,837,381
Total current assets		8,791,923	9,370,501
Total assets		14,306,703	14,149,641

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

Consolidated statement of financial position as at 31 December 2012 (continued)

	Notes	2012 AED'000	2011 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	**2,625,000**	2,625,000
Share issuance costs, net		**(5,292)**	(5,292)
Statutory reserve	20	**535,859**	491,599
Hedging reserve	13	**(11,714)**	(12,054)
Revaluation reserve		**(90)**	(49)
Translation reserve		**(5,888)**	(4,266)
Retained earnings		**3,548,564**	3,294,857
Equity attributable to owners of the Company		**6,686,439**	6,389,795
Non-controlling interests		**234,987**	174,513
Total equity		**6,921,426**	6,564,308
Non-current liabilities			
Provision for end of service benefits	21	**42,632**	36,893
Bank borrowings	22	**896,316**	2,228,908
Due to related parties	32	**3,415**	2,559
Other long term payables		**876**	213
Other financial instrument	13	**2,738**	3,078
Total non-current liabilities		**945,977**	2,271,651
Current liabilities			
Trade and other payables	23	**4,997,258**	4,843,158
Due to related parties	32	**42,633**	45,860
Bank borrowings	22	**1,399,409**	424,664
Total current liabilities		**6,439,300**	5,313,682
Total liabilities		**7,385,277**	7,585,333
Total equity and liabilities		**14,306,703**	14,149,641

H.E. Mubarak Mattar Al Hamiri
Chairman

Abubaker Seddiq Al Khouri
Managing Director

Richard James Amos
Chief Financial Officer

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

Consolidated income statement
for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Revenue	**24**	**3,031,921**	3,787,525
Cost of sales	**25**	**(2,338,250)**	(3,094,107)
Gross profit		**693,671**	693,418
General and administrative expenses:			
Project costs written off, net		**(592)**	(2,005)
Allowance for doubtful debts	**12**	**-**	(16,016)
Reversal of doubtful debts	**12**	**4,445**	2,232
Bad debts written off	**12**	**(1,713)**	(3,259)
Other general and administrative expenses	**26**	**(226,529)**	(180,285)
Selling and marketing expenses	**27**	**(19,911)**	(30,930)
Fair value loss on investment properties, net	**6**	**(108,884)**	(77,527)
Impairment of goodwill	**8**	**(35,835)**	(116,888)
Reversal of impairment of property, plant and equipment		**14,372**	23,800
Gain on disposal of investment properties		**2,113**	15,795
Share of losses from associates and joint ventures	**9**	**(34,309)**	(20,431)
Gain on financial assets at fair value through profit or loss		**177**	77
(Loss)/gain on disposal of available-for-sale financial assets		**(1)**	4,873
Finance income	**28**	**55,634**	52,388
Finance costs	**29**	**(19,571)**	(22,281)
Other income	**30**	**184,417**	60,362
Profit for the year		**507,484**	383,323
Attributable to:			
Owners of the Company		**442,604**	334,683
Non-controlling interests		**64,880**	48,640
Profit for the year		**507,484**	383,323
Basic and diluted earnings per share (in AED per share)	**31**	**0.169**	0.127

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

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Profit for the year		**507,484**	383,323
Other comprehensive loss			
Release on disposal of available-for-sale financial assets	**10**	**(41)**	626
Decrease in fair value of available-for-sale financial assets	**10**	**-**	(107)
Change in fair value of hedging instruments	**13**	**340**	(3,592)
Exchange differences arising on translation of foreign operations		**(2,028)**	(1,286)
Directors' remuneration		**(13,387)**	-
Other comprehensive loss for the year		**(15,116)**	(4,359)
Total comprehensive income for the year		**492,368**	378,964
Total comprehensive income attributable to:			
Owners of the Company		**427,894**	330,581
Non-controlling interest		**64,474**	48,383
		492,368	378,964

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

Consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Revaluation reserve AED'000	Translation reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Company AED'000	Non - controlling interests AED'000	Total AED'000
Balance at 1 January 2011	2,625,000	(5,292)	458,131	(8,462)	(568)	(3,237)	2,993,642	6,059,214	118,760	6,177,974
Profit for the year	-	-	-	-	-	-	334,683	334,683	48,640	383,323
Transfer to statutory reserve	-	-	33,468	-	-	-	(33,468)	-	-	-
Other comprehensive loss for the year	-	-	-	(3,592)	519	(1,029)	-	(4,102)	(257)	(4,359)
Contribution in the capital of a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	14,000	14,000
Dividend	-	-	-	-	-	-	-	-	(6,630)	(6,630)
Balance at 1 January 2012	2,625,000	(5,292)	491,599	(12,054)	(49)	(4,266)	3,294,857	6,389,795	174,513	6,564,308
Profit for the year	-	-	-	-	-	-	442,604	442,604	64,880	507,484
Transfer to statutory reserve	-	-	44,260	-	-	-	(44,260)	-	-	-
Other comprehensive loss for the year	-	-	-	340	(41)	(1,622)	(13,387)	(14,710)	(406)	(15,116)
Contribution in the capital of a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	4,000	4,000
Dividend	-	-	-	-	-	-	(131,250)	(131,250)	(8,000)	(139,250)
Balance at 31 December 2012	**2,625,000**	**(5,292)**	**535,859**	**(11,714)**	**(90)**	**(5,888)**	**3,548,564**	**6,686,439**	**234,987**	**6,921,426**

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

Consolidated statement of cash flows for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Operating activities		
Profit for the year	**507,484**	383,323
Adjustments for:		
Depreciation and amortisation	**39,346**	42,630
(Gain)/loss on disposal of property, plant and equipment	**(635)**	34
Provision for infrastructure costs	**-**	76,065
Project costs written off, net	**592**	2,005
Reversal of impairment of property, plant and equipment	**(14,372)**	(23,800)
Impairment of goodwill	**35,835**	116,888
Allowance for doubtful debts	**-**	16,016
Reversal of allowance for doubtful debts	**(4,445)**	(2,232)
Bad debts written off	**1,713**	3,259
Fair value loss on investment properties, net	**108,884**	77,527
Gain on disposal of investment properties	**(2,113)**	(15,795)
Loss/(gain) on disposal of available-for-sale financial assets	**1**	(4,873)
Gain on financial assets at fair value through profit and loss	**(177)**	(77)
Share of losses from associates and joint ventures	**34,309**	20,431
Finance income	**(55,634)**	(52,388)
Finance cost	**19,571**	22,281
Provision for employees' end of service benefit, net	**5,739**	5,143
Operating cash flows before movements in working capital	**676,098**	666,437
Decrease in land held for resale	**-**	87,079
Increase in inventories	**(39,280)**	(7,821)
Movement in development work in progress, net	**(507,041)**	43,123
Decrease in trade and other receivables	**133,734**	387,603
Increase/(decrease) in trade and other payables	**148,720**	(925,453)
Decrease in due from related parties	**12,742**	13,414
Decrease in due to related parties	**(2,371)**	(31,587)
Net cash from operating activities	**422,602**	232,795

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

Consolidated statement of cash flows
for the year ended 31 December 2012 (continued)

	2012 AED'000	2011 AED'000
Investing activities		
Payments for property, plant and equipment	**(36,064)**	(11,131)
Proceeds from disposal of property, plant and equipment	**727**	1,894
Payments for investment properties	**(229,605)**	(615,529)
Proceeds from disposal of investment properties	**7,637**	-
Proceeds from disposal of financial assets at fair value through profit and loss	**2,712**	-
Proceeds from disposal of available-for-sale financial assets	**340**	17,001
Dividends received	**4,800**	-
Proceeds from finance lease	**721**	5,512
Interest received	**28,599**	48,104
Movement in term deposits with original maturities greater than three months and restricted short term deposits	**60,768**	(81,015)
Net cash used in investing activities	**(159,365)**	(635,164)
Financing activities		
Bank borrowings raised	**-**	1,000,000
Repayment of bank borrowings	**(390,108)**	(12,543)
Dividends paid to non-controlling shareholders	**(15,048)**	-
Dividends paid	**(125,540)**	(1,087)
Finance costs paid	**(160,592)**	(141,866)
Directors' remuneration paid	**(13,387)**	-
Minority contribution in the capital of a subsidiary	**4,000**	14,000
Adjustment on the minority contribution in the capital of a subsidiary	**-**	(6,630)
Net cash (used in)/from financing activities	**(700,675)**	851,874
Net (decrease)/increase in cash and cash equivalents	**(437,438)**	449,505
Cash and cash equivalents at the beginning of the year	**1,582,200**	1,132,695
Cash and cash equivalents at the end of the year (note 18)	**1,144,762**	1,582,200

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

1 General information

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

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

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

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

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

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IAS 12 *Income Taxes relating to Deferred Tax – Recovery of Underlying Assets*	Amends IAS 12 *Income Taxes* to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

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

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

New and revised IFRSs	Summary of requirement
Amendment to IFRS 1 *Severe Hyperinflation*	The amendments provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	The amendment replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* relating to accounting for government loans at below market interest rate	1 January 2013
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting financial assets and liabilities	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Improvements to IFRSs issued in 2011 and 2012 covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2015
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

For the IFRSs in issue that are not yet effective, other than IFRS 13 which management is still assessing. management anticipates that the adoption of these IFRSs in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally base on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below:

3.3 Basis of consolidation

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

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

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries at 31 December 2012 are as follows:

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

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.5 Interests in joint ventures

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

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

3.6 Investments in associates

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

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

3 Summary of significant accounting policies (continued)

3.6 Investments in associates (continued)

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

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

3.7 Goodwill

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

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.8 Intangible assets

3.8.1 <u>Intangible assets acquired separately</u>

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

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

3 Summary of significant accounting policies (continued)

3.8 Intangible assets (continued)

3.8.1 Intangible assets acquired separately (continued)

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

3.8.2 Intangible assets acquired in a business combination

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

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

The following useful lives are used in the calculation of the amortization of intangible assets:

Trade name	Indefinite
Leasehold premises	Over periods of leases
Vendor price benefit	20.5 years
Customer relationships	5 – 10 years
Consumer contracts	Based on remaining periods of contracts

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

3.9 Revenue recognition

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

3.9.1 Sale of properties

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

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

3 Summary of significant accounting policies (continued)

3.9 Revenue recognition (continued)

3.9.2 Lease income

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

3.9.3 Interest income

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

3.9.4 Dividend income

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

3.9.5 Income from hotel operations

Income from hotel operations represents total amounts charged to customers and guests during the period including service charges net of the portion applicable to employees as and where applicable, plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances.

3.9.6 Services

Revenue from services is accrued and recognised as the services are rendered. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from services is stated net of rebates and other allowances.

3.10 Construction contracts

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

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

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

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

3 Summary of significant accounting policies (continued)

3.10 Construction contracts (continued)

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

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

3.11 Leasing

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

3.11.1 The Group as lessor

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

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

3.11.2 The Group as lessee

Leases payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Benefits received and receivable as an incentive to enter into the operating lease are also spread on a straight-line basis over the lease term.

3.12 Foreign currencies

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

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

3 Summary of significant accounting policies (continued)

3.12 Foreign currencies (continued)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

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

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

3.13 Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

3.14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of property, plant and equipment is their purchase cost, together with any incidental expense of acquisition.

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

Buildings	25 years
Furniture and fixtures	4 – 10 years
Office equipment	3 – 5 years
Motor vehicles	3 – 5 years
Plant and machinery	3 – 10 years
Labour camps	6 years

3 Summary of significant accounting policies (continued)

3.14 Property, plant and equipment (continued)

Land is not depreciated.

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

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

3.15 Capital work in progress

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

3.16 Inventories

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

3.17 Investment properties

Investment properties comprise completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from investment properties under development to completed properties.

3 Summary of significant accounting policies (continued)

3.18 Development work-in-progress

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

3.19 Land held for resale

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

3.20 Government grants

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

3.21 Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

3 Summary of significant accounting policies (continued)

3.22 Provisions

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

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

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

3.22.1 Employee benefits

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

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the statement of financial position date. The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to Abu Dhabi Retirement Pensions and Benefits Fund in accordance with the UAE Federal Law No. (2), 2000. Such contributions are charged to profit or loss during the employees' period of service.

3.23 Cash and cash equivalents

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

3 Summary of significant accounting policies (continued)

3.24 Financial assets

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

Financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.24.1 Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

3 Summary of significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.2 Available-for-sale financial assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held to maturity or financials assets at FVTPL. Investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

3.24.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.24.4 Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

For AFS equity investments a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

When an AFS financial asset is considered to be impaired, commutative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

3 Summary of significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.4 Impairment of financial assets (continued)

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.24.5 Derecognition of financial assets

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

3.25 Financial liabilities and equity instruments

3.25.1 Classification as debt or equity

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

3.25.2 Equity instruments

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

3 Summary of significant accounting policies (continued)

3.25 Financial liabilities and equity instruments (continued)

3.25.3 Financial liabilities

Financial liabilities, including borrowings, trade and other payables and due to related parties are initially measured at fair value, net of transaction costs.

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

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

3.25.4 Derecognition of financial liabilities

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

3.26 Derivative financial instruments

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedge relationship.

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

3.26.1 Hedge accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3 Summary of significant accounting policies (continued)

3.26 Derivative financial instruments (continued)

3.26.2 Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognised in consolidated income statement, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgements, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of properties

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

4.1.2 Classification of leases

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

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

During the prior year, the Group entered into a lease agreement with a third party. Management has reviewed the terms of the lease and identified the following clauses as relevant for determining the classification of the lease: the lease term at 30 years is for the major part of the asset's useful economic life; and upon expiry all the rights and assignment of the asset shall transfer to the lessee. Management is satisfied that the lease is correctly classified as a finance lease in accordance with the requirements of IAS 17.

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

4.1 Critical judgements in applying the Group's accounting policies (continued)

4.1.3 <u>Contract cost estimates</u>

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

4.2 Key sources of estimation uncertainty

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

4.2.1 <u>Allowance for doubtful debts</u>

Allowance for doubtful debts is determined using a combination of factors to ensure that the receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances. Also, specific provisions for individual accounts are recorded when the Group becomes aware of the customer's inability to meet its financial obligations. At 31 December 2012, management believe the allowance of AED 189.7 million (2011: AED 194.2 million) is sufficient.

4.2.2 <u>Estimate of fair value of investment properties and investment properties under development</u>

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (such as selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.2 Estimate of fair value of investment properties and investment properties under development (continued)

Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

For one of the investment properties, the Group entered into a 30 year lease with a third party on a number of apartments. The lease contains break clauses with different penalties depending on when the lease is broken. For the purpose of property valuation Management assessed and determined that the appropriate lease term should be 30 years in light of the clauses, market rentals and Management's understanding of the tenant's requirements in respect of the lease. Had a term of 5 years been used in the valuation, the fair value of the property would have decreased by AED 99 million (2011: AED 165 million).

The continuing volatility in the global financial system and in the real estate industry has contributed to a reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2012, the valuers have used their market knowledge and professional judgement and have not only relied on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range
Yields	8 – 10%
Discount rates	9 – 16%

4.2.3 Estimation of net realisable value for inventory and development work in progress

Properties held for resale and properties classified under development work in progress are stated at lower of cost or net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the end of the reporting period, sales prices, costs of completion and advances received at the end of the reporting period and for certain properties is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available. As a result of Management assessment of NRV, development work in progress was written down by AED nil as at 31 December 2012 (2011: AED nil).

4.2.4 Project cost to complete estimates

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

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

4.2 Key sources of estimation uncertainty (continued)

4.2.5 Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with *IAS 16* and *IAS 38*. Management determined that all other current year expectations do not differ from previous estimates based on its review.

4.2.6 Impairment of property, plant and equipment including capital work in progress

Property, plant and equipment including properties classified under capital work in progress are assessed for impairment based on assessed cash flows of individual assets when there is indication that those assets have suffered an impairment loss. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates reflecting the current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

At the end of the reporting period, the Group determined that the impairment loss recognised in a prior period for one of its assets has decreased due to the asset's economic performance being better than expected. The Group estimated the recoverable amount of the asset by determining its value in use, which reflects the estimated future net cash flows to be derived from the asset discounted by the same rate of 11% that was used in the previous impairment assessment. Accordingly, impairment losses previously recognised in respect of property, plant and equipment have been decreased and an amount of AED 14.4 million (2011: AED 23.8 million) has been reversed in the consolidated income statement for the year.

4.2.7 Impairment of available-for-sale financial assets

Management regularly reviews indicators of impairment for available-for-sale financial assets and considers whether there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged decline requires judgement. In making this judgement and to decide if an impairment loss adjustment is necessary, Management evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows and pay out dividend capability of the investee. Management also considers its intent and ability to hold the investment until its market price recovers.

4.2.8 Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.9 Impairment of investments in associates and interests in joint ventures

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. The determination of whether investments in joint ventures and associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment is required on its investments in associates and interests in joint ventures.

4.2.10 Impairment of goodwill and intangible assets identified and recognised upon business combination

Goodwill and assets (including intangible assets) identified and recognised upon business combination are grouped for recoverability assessment and allocated to the cash generating unit that will generate the future cash inflows used in determining the cash generating unit's value in use. The value in use was determined by independent valuers not related to the Group which requires the estimation of the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value of those estimated future cash flows. At 31 December 2012 the impairment recognised is AED 35.9 million (2011: AED 116.9 million).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

5 Property, plant and equipment

	Buildings AED'000	Furniture & fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Plant and machinery AED'000	Labour camps AED'000	Land in Sharjah AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2011	59,563	58,161	33,581	8,724	80,073	14,646	1,350	6,072	262,170
Additions	-	1,570	2,910	1,493	4,699	-	-	459	11,131
Reversal of impairment of assets	23,800	-	-	-	-	-	-	-	23,800
Disposals	-	(750)	(19)	(160)	(2,609)	-	-	-	(3,538)
1 January 2012	83,363	58,981	36,472	10,057	82,163	14,646	1,350	6,531	293,563
Additions	-	11,460	3,092	622	11,918	-	-	8,972	36,064
Reversal of impairment of assets	14,372	-	-	-	-	-	-	-	14,372
Disposals	-	(1,691)	-	(991)	(2,822)	-	-	-	(5,504)
Transfers from investment properties	8,614	-	-	-	-	-	-	-	8,614
Transfers	-	-	90	-	-	-	-	(90)	-
31 December 2012	**106,349**	**68,750**	**39,654**	**9,688**	**91,259**	**14,646**	**1,350**	**15,413**	**347,109**

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

5 Property, plant and equipment (continued)

	Buildings AED'000	Furniture & fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Plant and machinery AED'000	Labour camps AED'000	Land in Sharjah AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation									
1 January 2011	3,881	28,050	19,419	5,946	43,368	8,956	-	-	109,620
Disposals	-	(709)	(12)	(144)	(745)	-	-	-	(1,610)
Charge for the year	2,827	11,566	8,149	1,610	11,977	2,441	-	-	38,570
1 January 2012	6,708	38,907	27,556	7,412	54,600	11,397	-	-	146,580
Disposals	-	(1,654)	-	(969)	(2,789)	-	-	-	(5,412)
Charge for the year	3,655	12,539	5,224	1,284	12,116	1,959	-	-	36,777
31 December 2012	**10,363**	**49,792**	**32,780**	**7,727**	**63,927**	**13,356**	-	-	**177,945**
Carrying amount									
31 December 2012	**95,986**	**18,958**	**6,874**	**1,961**	**27,332**	**1,290**	**1,350**	**15,413**	**169,164**
31 December 2011	76,655	20,074	8,916	2,645	27,563	3,249	1,350	6,531	146,983

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

At the end of the reporting period, the Group reassessed the recoverable amount of an asset that was impaired in a prior period and determined that the impairment losses previously recognised have decreased. Accordingly, an amount of AED 14.4 million (2011: 23.8 million) was reversed in the income statement for the year (see note 4.2.6).

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

6 Investment properties

	2012			2011		
	Completed properties AED'000	**Properties under development AED'000**	**Total AED'000**	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the year	**2,135,215**	**1,174,861**	**3,310,076**	1,009,131	665,519	1,674,650
Development costs incurred during the year	**9,973**	**219,632**	**229,605**	38,972	576,557	615,529
Transfer from development work-in-progress during the year	**644,690**	-	**644,690**	1,164,639	-	1,164,639
Transfer to property, plant and equipment	**(8,614)**	**-**	**(8,614)**	-	-	-
Disposal under finance lease during the year	**-**	**-**	**-**	-	(111,342)	(111,342)
Disposal during the year	**(5,524)**	**-**	**(5,524)**	-	-	-
Finance cost capitalised, net	-	**41,636**	**41,636**	-	44,127	44,127
Decrease in fair value, net	**(29,884)**	**(79,000)**	**(108,884)**	(77,527)	-	(77,527)
Balance at the end of the year	**2,745,856**	**1,357,129**	**4,102,985**	2,135,215	1,174,861	3,310,076

The fair value of investment properties has been arrived at on the basis of valuations carried out by DTZ International Ltd and Colliers International, independent valuers not related to the Group. Both valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation of completed properties was determined by reference to the Investment Method using Income Capitalisation Method and Discounted Cash Flow Models, while the valuation of properties under development was determined by reference to the Residual Value Method. The effective date of the valuations is 31 December 2012. Refer to note 4 for the key assumptions.

All investment properties are located in the United Arab Emirates.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

7 Intangible assets

	Trade name AED'000	Leasehold premises AED'000	Vendor price benefit AED'000	Customer relationships AED'000	Customer contracts AED'000	Total AED'000
Cost						
As at 31 December 2011	92,683	10,762	25,774	13,379	6,890	149,488
As at 31 December 2012	**92,683**	**10,762**	**25,774**	**13,379**	**6,890**	**149,488**
Accumulated amortisation						
As at 1 January 2011	-	5,388	-	7,775	6,890	20,053
Amortisation for the year	-	1,233	-	2,393	-	3,626
As at 1 January 2012	-	6,621	-	10,168	6,890	23,679
Amortisation for the year	-	166	1,257	713	-	2,136
As at 31 December 2012	-	**6,787**	**1,257**	**10,881**	**6,890**	**25,815**
Carrying amount						
As at 31 December 2012	**92,683**	**3,975**	**24,517**	**2,498**	-	**123,673**
As at 31 December 2011	92,683	4,141	25,774	3,211	-	125,809

8 Goodwill

	2012 AED'000	2011 AED'000
Opening balance	**198,760**	315,648
Impairment recognised during the year	**(35,835)**	(116,888)
	162,925	198,760

At the end of the year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain projects of the Group was impaired by AED 35.8 million (2011: AED 116.9 million). The recoverable amount of the goodwill was assessed by reference to the related cash generating unit and based on a valuation carried out by independent valuers not related to the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

9 Investments in associates and interest in joint ventures

Investee	Ownership interest	Place of registration	Principal activity	Share in underlying net assets at 1 January 2012 AED'000	Share in current year profit/(loss) AED'000	Dividends received AED'000	Allocated to associate/joint venture current account AED'000	Share in underlying net assets at 31 December 2012 AED'000
Associates								
Al Maabar International Investment LLC	20%	Abu Dhabi	Real estate ownership, management and development	140,627	(34,486)	-	-	106,141
Aseel Finance PJSC	20%	Abu Dhabi	Provide financing under Sharia compliant	111,496	9,221	(4,000)	-	116,717
Green Emirates Properties PJSC	20%	Abu Dhabi	Brokerage, development and associated real estate services	58,390	(4,249)	-	-	54,141
Bunya Enterprises - LLC	33%	Abu Dhabi	Infrastructure	-	(14,952)	-	14,952	-
Al Sdeirah Real Estate Investment – LLC	30%	Abu Dhabi	Property development and real estate investment	6,974	90	-	-	7,064
Al Fayafi Al Khadra Landscaping LLC	40%	Abu Dhabi	Landscaping of properties	800	-	-	-	800
World-Class Initiatives and Standards in Education (W.I.S.E.) LLC	20%	Abu Dhabi	Ownership and management of cultural and educational facilities and institutions	10,000	-	-	-	10,000
				328,287	(44,376)	(4,000)	14,952	294,863
Joint ventures								
S&T Cool District Cooling Co. LLC	50%	Abu Dhabi	Provide district cooling to properties	49	-	-	-	49
Galaxy Building Materials Trading LLC	45%	Abu Dhabi	Trading and import of building materials	11,683	10,067	-	-	21,750
				11,732	10,067	-	-	21,799
				340,019	**(34,309)**	**(4,000)**	**14,952**	**316,662**

9 Investment in associates and joint ventures (continued)

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

	2012 **AED '000**	2011 AED '000
Total assets	**7,239,244**	7,533,289
Total liabilities	**5,438,879**	5,513,858
Net assets	**1,800,365**	2,019,431
Group's share of net assets of associates and joint ventures	**316,662**	340,019
Total revenue	**382,324**	176,256
Total loss for the year	**(114,234)**	(41,062)
Group's share of losses of associates and joint ventures	**(34,309)**	(20,431)

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

10 Available-for-sale financial assets

	2012 AED'000	2011 AED'000
Investment in UAE unquoted securities:		
At cost	**95,200**	96,000
At fair value	**37**	37
	95,237	96,037
Investment in international unquoted securities:		
At cost	**23,251**	23,251
At fair value	**584**	966
	23,835	24,217
	119,072	120,254

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**120,254**	131,863
Disposals during the year	**(341)**	(12,128)
Release of fair value on disposals during the year	**(41)**	626
Changes in fair value	**-**	(107)
Dividends received	**(800)**	-
Balance at the end of the year	**119,072**	120,254

The Group has reassessed the fair value of part of its AFS financial assets based on recent trading transactions and recognised a fair value loss of AED nil (2011: AED 107 thousand loss). Due to the absence of an active market for the remaining AFS financial assets or any recent transactions that could provide evidence of their current fair value, these assets are carried at cost.

Management reviewed its available-for-sale financial assets for impairment based on criteria that include the extent to which carrying value exceeds market value, the duration of the market decline, management's intent and ability to hold investment up to recovery and the financial health and specific prospects for the issuer. No impairment was identified as at 31 December 2012 (2011: AED Nil).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

11 Finance lease receivable

During 2011, the Group derecognised a completed property in accordance with a 30-year lease agreement entered into with a third party. Accordingly, the Group recognised a gain on disposal of AED 15.8 million and a finance lease receivable for AED 127.1 million at the date of the transaction.

Amounts receivable under finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	AED'000	AED'000	**AED'000**	AED'000
Within one year	**10,250**	10,250	**8,622**	9,312
In the second to fifth years inclusive	**41,000**	41,000	**28,557**	30,841
Later than 5 years	**255,750**	266,000	**83,725**	81,472
	307,000	317,250	**120,904**	121,625
Less unearned finance income	**(186,096)**	(195,625)	-	-
Present value of minimum lease receivable	**120,904**	121,625	**120,904**	121,625
Included in the financial statements as:				
Non-current finance lease receivable	**112,282**	112,313	**112,282**	112,313
Current finance lease receivable	**8,622**	9,312	**8,622**	9,312

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

12 Trade and other receivables

	2012 AED'000	2011 AED'000
Non-current portion		
Trade receivables	**334,747**	378,761
Retention receivable	**54,846**	27,308
	389,593	406,069
Current portion		
Trade receivables	**2,025,610**	1,958,374
Less: allowance for doubtful debts	**(189,716)**	(194,161)
	1,835,894	1,764,213
Advances to contractors	**148,117**	300,266
Advance for acquisition of property	**221,239**	221,239
Retention receivable	**20,906**	52,309
Prepayments	**42,330**	24,089
Accrued income	**2,998**	3,754
Interest receivable	**11,550**	14,205
Gross amount due from customers on construction contracts (see below)	**32,453**	5,042
Other receivables	**96,155**	116,680
	2,411,642	2,501,797
Total trade and other receivables	**2,801,235**	2,907,866

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

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

Of the trade receivables balance at the end of the year, 62% is due from 5 major customers (2011: 69%). There are no other customers who represent more than 5% of the total balance of trade receivables. Concentration of credit risk is mitigated due to the fact that the customers have already made substantial instalment payments on the plots, which would not be refundable in the event of non-completion of remaining contractual obligations.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 1,328 million (2011 : AED 1,469 million) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

12 Trade and other receivables (continued)

Ageing of past due but not impaired:

	2012 AED'000	2011 AED'000
0-60 days	**18,141**	86,656
61-90 days	**51,319**	109,682
91-120 days	**118,623**	6,707
121-365 days	**490,979**	470,109
Above 365 days	**649,088**	795,936
	1,328,150	1,469,090

Movement in the allowance for doubtful debts:

	2012 AED'000	2011 AED'000
Balance at beginning of the year	**194,161**	180,377
Charge for the year	**-**	16,016
Reversed during the year	**(4,445)**	(2,232)
Balance at end of the year	**189,716**	194,161

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. During the year receivables totaling AED 1.7 million (2011: AED 3.3 million) were written off directly based on management's assessment. Management believes that there is no further credit provision required in excess of the existing allowance for doubtful debts.

Contracts in progress at the end of the reporting period

	2012 AED'000	2011 AED'000
Amount due from customers on construction contracts included in trade and other receivables	**32,453**	5,042
Amount due to customers on construction contracts included in trade and other payables (note 23)	**(192,163)**	(271,545)
	(159,710)	(266,503)
Total contracts cost incurred plus recognised profits less recognised losses to date	**7,643,430**	2,955,934
Less: total progress billings to date	**(7,803,140)**	(3,222,437)
	(159,710)	(266,503)

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

13 Other financial instrument

In 2010, in connection with the Club loan obtained (see note 22), the Group entered into a hedge agreement with a bank in order to hedge its exposure to movements in interest rates. Under the hedge agreement, the Group hedged 11% of the drawn Club loan as at 31 December 2012 using a 3-month floating-to-fixed amortising interest rate 4 year swap (with average life of around 3 years). The swap is a derivative designated and effective as a hedging instrument. As at 31 December 2012 the fair value of this swap is negative AED 2.7 million (2011: negative AED 3.1 million) and accordingly the fair value movement of AED 0.4 million is recorded as a gain in other comprehensive income.

14 Inventories

	2012 AED'000	2011 AED'000
Materials on site	**81,340**	43,459
Food and beverage	**490**	230
Others	**1,755**	227
Less: allowance for inventory obsolescence	**(813)**	(423)
	82,772	43,493

15 Land held for resale

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**527,608**	614,687
Transfer to development work-in-progress	**-**	(62,600)
Disposals during the year	**-**	(24,479)
Balance at the end of the year	**527,608**	527,608

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

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

16 Development work-in-progress

	2012 AED'000	2011 AED'000
Balance at beginning of the year	**4,142,923**	5,273,146
Additions during the year	**2,662,170**	2,554,041
Disposals during the year	**(2,155,129)**	(2,597,164)
Transfer to investment property	**(644,690)**	(1,164,639)
Finance costs capitalised, net	**124,711**	79,544
	4,129,985	4,144,928
Less: Project costs written off during the year	**(592)**	(2,005)
Balance at the end of the year	**4,129,393**	4,142,923

All development work-in-progress relates to projects undertaken in the United Arab Emirates, except for Egypt project and Morocco project which are still in the pre-development phase with costs amounting to AED 56.2 million and AED 34.8 million respectively as at 31 December 2012 (2011: AED 58.6 million and AED 21.2 million respectively).

17 Financial assets at fair value through profit or loss

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**2,535**	2,458
Fair value gain	**136**	77
Disposal during the year	**(2,671)**	-
Balance at the end of the year	**-**	2,535

The investments included above are held for trading and represent investments in listed debt instruments in the United Arab Emirates that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of these instruments are based on quoted market prices. During the year, the investment was sold with a recognised gain on sale of AED 41 thousand.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

18 Cash and bank balances

	2012 AED'000	2011 AED'000
Fixed deposits	**955,626**	1,498,926
Current account	**37,063**	202,645
Call account	**345,733**	135,116
Cash in hand	**753**	694
Cash and bank balances	**1,339,175**	1,837,381
Less:		
Short term deposits with original maturities greater than three months	**(7,380)**	(56,762)
Deposits held under lien by the banks	**(187,033)**	(198,419)
Cash and cash equivalents	**1,144,762**	1,582,200

The interest rate on term deposits ranges between 0.25% and 3.7% per annum based on the maturity of the deposits.

19 Share capital

Share capital comprises of AED 2,625,000,000 authorised, issued and fully paid up ordinary shares of AED 1 each.

20 Statutory reserve

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

21 Provision for end of service benefits

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

	2012 AED'000	2011 AED'000
Balance at 1 January	**36,893**	31,750
Charge during the year	**9,051**	10,339
Payments during the year	**(3,312)**	(5,196)
Balance at 31 December	**42,632**	36,893

Post-employment benefit contributions totaling AED 2.7 million (2011: AED 2.8 million) have been paid to the Abu Dhabi Retirement Pension and Benefits Fund for UAE national employees.

22 Bank borrowings

	2012		2011	
	Current	**Non-current**	Current	Non-current
	AED'000	**AED'000**	AED'000	AED'000
Secured – at amortised cost				
Bank loan (1)	**5,864**	**-**	5,864	5,864
Club loan (2)	**1,393,545**	**896,316**	418,800	2,223,044
	1,399,409	**896,316**	424,664	2,228,908

Bank loan (1)

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

Club loan (2)

In 2010, the Group concluded an AED 2.7 billion four-year club loan facility from various banks consisting of a term loan and revolving credit, with both conventional and Islamic tranches. The facility is used for general corporate purposes, including the early redemption of the remaining outstanding balance of the non-convertible Sukuk. The amount was fully drawn as at 31 December 2011.

The facility bears interest at the rate of EIBOR + 4.5% per annum. The term loan has a grace period of 27 months and then amortises, commencing September 2012, over the remaining 21 months to maturity.

The facility is secured by collateral over some of the Group's assets. The Group is also required to adhere to certain financial covenants as follows: minimum tangible net worth of the Group AED 5 billion, debt to equity ratio not to exceed 1.25:1, collateral coverage ratio minimum 1.6:1, interest cover ratio minimum 2.0:1 and debt service cover ratio minimum 1.5:1. The Group has been in compliance with these covenants during the year.

Transactions costs in connection with the facility amounted to AED 90.5 million. Interest expense amounting to AED 181 million has been capitalised during the year (see note 29).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

23 Trade and other payables

	2012 AED'000	2011 AED'000
Advances from customers	**2,413,239**	2,150,174
Accrued expenses	**617,616**	821,440
Provision for infrastructure costs	**413,447**	892,410
Retention payable	**401,533**	292,129
Trade payable	**304,280**	229,043
Gross amounts due to contracts' customers (note 12)	**192,163**	271,545
Notes payable	**63,563**	39,609
Dividend payable	**46,746**	41,036
Other payables	**544,671**	105,772
	4,997,258	4,843,158

Included within other payables is an amount of AED 356,530 thousand (2011: AED nil) which resulted from a settlement agreement on Saraya project development.

The average credit period on purchases is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit frame.

24 Revenue

	2012 AED'000	2011 AED'000
Construction contracts revenue	**2,421,475**	1,114,060
Sale of properties	**269,027**	2,390,249
Lease income	**217,331**	173,632
Revenue from the rendering of services	**96,853**	86,170
Income from hotel operations	**27,235**	23,414
	3,031,921	3,787,525

25 Cost of sales

	2012 AED'000	2011 AED'000
Cost of construction contracts	**2,060,652**	954,967
Cost of sold properties	**133,516**	2,030,272
Lease expense	**70,955**	30,184
Cost of services	**64,497**	71,382
Cost of hotel operations	**8,630**	7,302
	2,338,250	3,094,107

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

26 Other general and administrative expenses

	2012 AED'000	2011 AED'000
Staff costs	**130,654**	108,950
Consultation and advisory costs	**26,483**	2,750
Depreciation on property, plant and equipment	**20,184**	22,863
Office rent	**6,486**	8,629
Amortisation of intangible assets	**2,136**	3,626
Others	**40,586**	33,467
	226,529	180,285

27 Selling and marketing expenses

	2012 AED'000	2011 AED'000
Exhibitions and sponsorships	**12,400**	17,559
Advertising expenses	**2,464**	4,580
Sales commission	**1,436**	6,569
Others	**3,611**	2,222
	19,911	30,930

28 Finance income

	2012 AED'000	2011 AED'000
Gross finance income	**18,679**	13,205
Financing element earned on receivables	**36,955**	39,183
	55,634	52,388

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

29 Finance costs

	2012 AED'000	2011 AED'000
Gross finance costs from loans	**197,282**	156,581
Interest on overdraft and other facilities	**3,624**	3,798
Amounts included in the cost of qualifying assets (see note 22)	**(181,335)**	(138,098)
	19,571	22,281

30 Other income

	2012 AED'000	2011 AED'000
Reversal of provisions	**121,684**	13,161
Advances retained from cancelled units	**37,155**	7,469
Management income	**23,541**	14,214
Others	**2,037**	25,518
	184,417	60,362

During the current year management reached a settlement agreement with certain parties regarding the sale of plots of land to developers. Under the terms of the agreement there are no further obligations by the Group other than the payable described in note 23, and as a result existing provisions of AED 72 million were reversed.

In addition management also reviewed the estimated costs to complete and certain contingencies were determined to no longer be required. As a result AED 39 million was released to profit or loss.

During the current year management reviewed the profile of defaulters and determined to take back the units on certain sales based on the terms of the sale and purchase agreement; the income recorded represents advances received on these cancelled units which were taken back into development work in progress.

31 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to the owners of the Company by the weighted average number of shares outstanding during the year.

The Company has not issued any instruments which would have an impact on earnings per share when exercised, and accordingly the diluted earnings per share are the same as the basic earnings per share.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

32 Transactions and balances with related parties

Related parties include the Group's major shareholders, Directors and key management personnel, and businesses controlled by them and their families or over which they exercise a significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

	2012	2011
Due from related parties	**AED'000**	AED'000
Current		
Due from associates and joint ventures	**272,529**	294,508
Others	**20,181**	10,944
	292,710	305,452
Due to related parties		
Current		
Due to non-controlling shareholders in subsidiaries	**9,143**	11,048
Due to associates and joint ventures	**29,174**	29,432
Others	**4,316**	5,380
	42,633	45,860
Non-current		
Due to non-controlling shareholders in subsidiaries	**3,415**	2,559

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

32 Transactions and balances with related parties (continued)

Significant transactions with these related parties are as follows:

	2012 AED'000	2011 AED'000
Revenue from sale of properties to Directors	**-**	137,476
Advances and payments effected on behalf of associates and joint ventures	**9,970**	14,225
Commission income and management fees from an associate (see note 30)	**13,813**	14,214
Directors remuneration	**18,442**	-
Key management personnel remuneration	**12,140**	12,260

During the year, management reassessed the accounting policy on directors remuneration and determined that it should be reflected in profit or loss. Accordingly, an amount of AED 18.4 million is accrued and expensed in the current year. The opening balance of retained earnings has not been restated to reflect the directors remuneration of 2011 of AED 13.4 million as the amount is considered immaterial.

33 Contingent liabilities and commitments

	2012 AED'000	2011 AED'000
Bank guarantees	**452,992**	615,627
Letters of credit	**81,264**	52,358

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

Contractual capital commitments at 31 December 2012 in respect of agreements with consultants and contractors for projects under development amounted to AED 2.6 billion (31 December 2011: AED 4.9 billion) which are all expected to be paid within 3 years from the reporting date.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

33 Contingent liabilities and commitments (continued)

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

	2012 AED'000	2011 AED'000
Not later than one year	**29,148**	18,720
Later than one year but not later than five years	**79,054**	98,689
Later than five years	**344,754**	344,768
	452,956	462,177

During the year, a contractor lodged a claim, which was unsubstantiated in the notice, in the amount of AED 300 million, allegedly for an extension of time and works performed and not paid. Management believes that the claim has no substance and will be successfully defended and therefore is of the opinion that no provision for the claim is required.

34 Financial instruments

34.1 Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 22, and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

34.1.1 Gearing ratio

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

The gearing ratio at the year-end was as follows:

	2012 AED'000	2011 AED'000
Debt (i)	**2,295,725**	2,653,572
Equity (ii)	**6,686,439**	6,389,795
Debt to equity ratio	**34.33%**	41.53%

(i) Debt is defined as long and short-term bank borrowings, as detailed in Note 22.
(ii) Equity attributable to the owners of the Company.

34 Financial instruments (continued)

34.2 Significant accounting policies

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

34.3 Financial risk management objectives

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

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

34.4 Market risk

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

34.4.1 Foreign currency risk management

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have significant exposure to currency risk as most of its monetary assets and liabilities are denominated in UAE Dirhams.

34.4.2 Interest rate risk management

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

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 18 and 22.

Interest rate sensitivity analysis

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

34 Financial instruments (continued)

34.4 Market risk (continued)

34.4.2 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by AED 98 thousand (2011: decrease/increase by AED 111 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

34.4.3 Other price risks

The Group holds equity investments for strategic and trading purposes. The majority of available-for-sale financial assets are held at cost rather than at fair value. The value of financial assets at fair value through profit or loss is insignificant, therefore, exposure to equity price risk is minimal.

34.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group's significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics is provided in Note 12. The Group defines counterparties as having similar characteristics if they are related entities. Management believes that the concentration of credit risk is mitigated by financial stability of its trade customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

The carrying amount of trade and other receivables, finance lease receivable, amounts due from related parties and cash and cash equivalents represents the Group's maximum exposure to credit risk.

34.6 Liquidity risk management

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

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

34 Financial instruments (continued)

34.6 Liquidity risk management (continued)

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

	Effective interest rate %	**Less than 1 month AED'000**	**1-6 months AED'000**	**7 months to 1 year AED'000**	**1-5 years AED'000**	**Longer than 5 years AED'000**	**Total AED'000**
2012							
Non-interest bearing		**579,793**	**618,845**	**801,205**	**1,613,389**	**-**	**3,613,232**
Interest bearing instruments	**2.32%**	**215,000**	**397,770**	**397**	**12,314**	**115,191**	**740,672**
		794,793	**1,016,615**	**801,602**	**1,625,703**	**115,191**	**4,353,904**

	Effective interest rate %	Less than 1 month AED'000	1-6 months AED'000	7 months to 1 year AED'000	1-5 years AED'000	Longer than 5 years AED'000	Total AED'000
2011							
Non-interest bearing		167,656	468,954	1,631,587	972,630	-	3,240,827
Interest bearing instruments	3.25	1,582,200	57,116	198,786	5,713	115,191	1,959,006
		1,749,856	526,070	1,830,373	978,343	115,191	5,199,833

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

	Effective interest rate %	**Less than 1 month AED'000**	**1-6 months AED'000**	**7 months to 1 year AED'000**	**1-5 years AED'000**	**Total AED'000**
2012						
Non-interest bearing		**87,978**	**927,340**	**192,270**	**238,003**	**1,445,591**
Interest bearing instruments	**7.45%**	**-**	**502,970**	**902,304**	**896,315**	**2,301,589**
		87,978	**1,430,310**	**1,094,574**	**1,134,318**	**3,741,180**

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

34 Financial instruments (continued)

34.6 Liquidity risk management (continued)

	Effective interest rate %	Less than 1 month AED'000	1-6 months AED'000	7 months to 1 year AED'000	1-5 years AED'000	Total AED'000
2011						
Non-interest bearing		337,676	1,018,062	1,104,798	12,613	2,473,149
Interest bearing instruments	7.68	-	-	424,664	2,228,908	2,653,572
		337,676	1,018,062	1,529,462	2,241,521	5,126,721

The Group expects to meet its other obligations from operating cash flows, proceeds of maturing financial assets and the issuance of new debt.

34.7 Fair value of financial instruments

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

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and traded derivatives.

- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

34 Financial instruments (continued)

34.7 Fair value of financial instruments (continued)

- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Available-for-sale financial assets				
Equity investments	-	**95,200**	-	**95,200**
AFS investment funds	**621**	**23,251**	-	**23,872**
Total	**621**	**118,451**	-	**119,072**
Financial assets at FVTPL				
Listed equity securities	**-**	**-**	**-**	**-**
Other financial instrument				
Hedging instrument	**-**	**2,738**	**-**	**2,738**

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

35 Segment reporting

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

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

Year ended 31 December 2012	Hospitality AED'000	Property development and sales AED'000	Land sales AED'000	Investment properties AED'000	Construction AED'000	Unallocated items AED'000	Total AED'000
Revenue	27,235	269,027	-	314,184	2,421,475	-	3,031,921
Cost of sales	(8,629)	(133,516)	-	(135,434)	(2,060,671)	-	(2,338,250)
Fair value loss on investment properties	-	-	-	(108,884)	-	-	(108,884)
Gain on disposal of investment properties	-	-	-	2,113	-	-	2,113
Project cost written off, net	-	(592)	-	-	-	-	(592)
Reversal of doubtful debts	-	-	-	-	4,445	-	4,445
Bad debts written off	-	-	-	(1,713)	-	-	(1,713)
Reversal of impairment of property, plant and equipment	14,372	-	-	-	-	-	14,372
Impairment of goodwill	-	-	-	(35,835)	-	-	(35,835)
Other income	-	66,062	59,695	37,710	10,073	-	173,540
Segment profit	32,978	200,981	59,695	72,141	375,322	-	741,117
Profit from operations							
Gain on financial assets at fair value through profit or loss						177	177
Loss on disposal of available-for-sale financial assets						(1)	(1)
Share of losses from associates and joint ventures						(34,309)	(34,309)
General and administrative expenses						(226,529)	(226,529)
Selling and marketing expenses						(19,911)	(19,911)
Finance income						55,634	55,634
Finance costs						(19,571)	(19,571)
Other income						10,877	10,877
							507,484

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

35 Segment reporting (continued)

Year ended 31 December 2011	Hospitality AED'000	Property development and sales AED'000	Land sales AED'000	Investment properties AED'000	Construction AED'000	Unallocated items AED'000	Total AED'000
Revenue	23,414	2,179,508	210,741	259,802	1,114,060	-	3,787,525
Cost of sales	(7,302)	(1,879,563)	(150,709)	(101,566)	(954,967)	-	(3,094,107)
Fair value loss on investment properties, net	-	-	-	(77,527)	-	-	(77,527)
Project cost written off, net	-	(2,005)	-	-	-	-	(2,005)
Allowance for doubtful debts	-	(8,115)	-	-	(7,901)	-	(16,016)
Bad debts written off	-	-	-	-	(3,259)	-	(3,259)
Reversal of impairment of property, plant and equipment	23,800	-	-	-	-	-	23,800
Impairment of goodwill	-	(50,468)	-	(66,420)	-	-	(116,888)
Gain on disposal of disposal of investment properties	-	-	-	15,795	-	-	15,795
Segment profit	39,912	239,357	60,032	30,084	147,933	-	517,318
Profit from operations							
Gain on financial assets at fair value through profit or loss						4,950	4,950
Share of losses from associates and joint venture						(20,431)	(20,431)
General and administrative						(178,053)	(178,053)
Selling and marketing						(30,930)	(30,930)
Finance income						52,388	52,388
Finance costs						(22,281)	(22,281)
Other income						60,362	60,362
							383,323

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

35 Segment information (continued)

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

As at 31 December 2012	Hospitality AED'000	Property development AED'000	Land sales AED'000	Construction AED'000	Investment properties portfolio AED'000	Unallocated AED'000	Group AED'000
Assets	**105,302**	**4,740,261**	**3,035,357**	**1,776,831**	**4,508,050**	**140,902**	**14,306,703**
Liabilities	**5,176**	**4,686,381**	**978,293**	**1,041,308**	**580,262**	**93,857**	**7,385,277**
As at 31 December 2011							
Assets	89,847	5,659,265	3,330,774	1,436,211	3,621,537	12,007	14,149,641
Liabilities	3,161	5,353,417	1,026,869	407,905	719,782	74,199	7,585,333

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of profits of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

36 Event after the reporting period

In meetings held on 20 January 2013, the Boards of Directors of Sorouh Real Estate PJSC ("Sorouh") and Aldar Properties PJSC ("Aldar") resolved to recommend a merger of the two companies to their shareholders. The proposed transaction is a statutory all-share merger, in which, if approved, Sorouh's shareholders would receive 1.288 Aldar shares for each Sorouh share held. On the effective date of the merger, Sorouh shares would be delisted from the Abu Dhabi Securities Exchange and Sorouh would be dissolved as a legal entity. Aldar would be named Aldar Sorouh Properties PJSC ("Aldar Sorouh").

The merger is subject to a number of conditions, including the approval of the merger by at least 75 per cent by value of the shares represented at each of the Extraordinary General Meetings of Aldar and Sorouh.

At the same meeting Sorouh announced that it had agreed a transaction worth AED 3.2 billion with the Government of Abu Dhabi. This is for the sale of residential units within Abu Dhabi and reimbursement of infrastructure costs.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

37 Comparatives

The comparative amounts for the year ended 31 December 2011 have been reclassified as follows:

Consolidated income statement for the year ended 31 December 2011	AED 2.2 million reversal of doubtful debts reclassified from other general and administrative expenses.

38 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 30 January 2013.

SOROUH REAL ESTATE PJSC

Reports and consolidated financial statements for the year ended 31 December 2011

SOROUH REAL ESTATE PJSC

Reports and consolidated financial statements for the year ended 31 December 2011

Board of Directors' report
for the year ended 31 December 2011

On behalf of the Board of Directors, I am pleased to present the audited consolidated financial statements of Sorouh Real Estate PJSC (Sorouh) for the year ended 31 December 2011.

Financial results

Sorouh has earned profits of AED 383.3 million for the year ended 31 December 2011 compared to AED 16.2 million for the year ended 31 December 2010. Earnings per share for the year ended 31 December 2011 amount to AED 0.127 compared to AED 0.003 for the prior year. The Group's asset base increased to AED 14.1 billion during this year from AED 13.6 billion for the prior year.

Release

The Directors propose to discharge the Chairman and Members of the Board of Directors and auditors from liabilities related to the performance of their duties for the year ended 31 December 2011.

Auditors

Deloitte & Touche are eligible to be re-appointed as auditor for the year ending 31 December 2012 and have expressed their willingness to be re-appointed.

Board of Directors

As at the end of the reporting period, the Board of Directors comprises:

Mr. Saeed Eid Al Ghafli	Chairman
Mr. Mohamed Khalaf Al Mazrouei	Vice Chairman
Mr. Abubaker Seddiq Al Khouri	Managing Director
Mr. Yousif Mohammed Al Nowais	Director
Mr. Mubarak Matar Al Hamiri	Director
Mr. Ali Bin Sulayem Al Falasi	Director
Mr. Suhail Mohamed Faraj Al Mazrouei	Director
Mr. Ahmed Khalifa Mohamed Al Mehairi	Director

On behalf of the Board of Directors

Saeed Eid Al Ghafli
Chairman
14 February 2012

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sorouh Real Estate PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, 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 whether the consolidated financial statements are free from material misstatement.

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

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

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

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

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

Saba Y. Sindaha
Registration Number 410
14 February 2012

Abu Dhabi - U.A.E.
P.O.Box . 990
Deloitte & Touche

Consolidated statement of financial position as at 31 December 2011

	Notes	2011 AED'000	2010 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	146,983	152,550
Investment properties	6	3,310,076	1,674,650
Intangible assets	7	125,809	129,435
Goodwill	8	198,760	315,648
Investment in associates and interest in joint ventures	9	340,019	353,552
Available-for-sale financial assets	10	120,254	131,863
Prepaid leases		18,857	19,291
Finance lease receivable	11	112,313	-
Trade and other receivables	12	406,069	505,455
Due from related parties	32	-	600
Other financial instrument	13	-	514
Total non-current assets		4,779,140	3,283,558
Current assets			
Inventories	14	43,493	35,672
Land held for resale	15	527,608	614,687
Development work-in-progress	16	4,142,923	5,273,146
Financial assets at fair value through profit or loss	17	2,535	2,458
Finance lease receivable	11	9,312	-
Trade and other receivables	12	2,501,797	2,799,116
Due from related parties	32	305,452	318,266
Cash and bank balances	18	1,837,381	1,306,861
Total current assets		9,370,501	10,350,206
Total assets		14,149,641	13,633,764

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

Consolidated statement of financial position as at 31 December 2011 (continued)

	Notes	2011 AED'000	2010 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	**2,625,000**	2,625,000
Share issuance costs, net		**(5,292)**	(5,292)
Statutory reserve	20	**491,599**	458,131
Hedging reserve	13	**(12,054)**	(8,462)
Revaluation reserve		**(49)**	(568)
Translation reserve		**(4,266)**	(3,237)
Retained earnings		**3,294,857**	2,993,642
Equity attributable to owners of the Company		**6,389,795**	6,059,214
Non-controlling interests		**174,513**	118,760
Total equity		**6,564,308**	6,177,974
Non-current liabilities			
Provision for end of service benefits	21	**36,893**	31,750
Bank borrowings	22	**2,228,908**	1,630,117
Due to related parties	32	**2,559**	19,497
Other long term payables		**213**	326
Other financial instrument	13	**3,078**	-
Total non-current liabilities		**2,271,651**	1,681,690
Current liabilities			
Trade and other payables	23	**4,843,158**	5,701,048
Due to related parties	32	**45,860**	60,509
Bank borrowings	22	**424,664**	12,543
Total current liabilities		**5,313,682**	5,774,100
Total liabilities		**7,585,333**	7,455,790
Total equity and liabilities		**14,149,641**	13,633,764

Saeed Eid Al Ghafli	**Abubaker Seddiq Al Khouri**	**Richard James Amos**
Chairman	Managing Director	Chief Finance Officer

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

Consolidated income statement
for the year ended 31 December 2011

	Notes	2011 AED'000	2010 AED'000
Revenue	**24**	**3,787,525**	1,205,176
Cost of sales	**25**	**(3,094,107)**	(673,534)
Gross profit		**693,418**	531,642
General and administrative expenses:			
Project costs written off, net		**(2,005)**	(13,066)
Allowance for doubtful debts	**12**	**(16,016)**	(102,766)
Bad debts written off	**12**	**(3,259)**	-
Other general and administrative expenses	**26**	**(178,053)**	(209,995)
Selling and marketing expenses	**27**	**(30,930)**	(35,169)
Fair value loss on investment properties, net	**6**	**(77,527)**	(49,327)
Impairment of goodwill	**8**	**(116,888)**	(162,860)
Reversal of impairment of property, plant and equipment		**23,800**	**-**
Gain on disposal of investment properties		**15,795**	-
Share of (losses)/profits from associates and joint ventures	**9**	**(20,431)**	48,655
Gain on financial assets at fair value through profit or loss		**77**	2,767
Loss on disposal of other financial assets		**-**	(21,191)
Gain on disposal of available-for-sale financial assets		**4,873**	492
Impairment loss on available-for-sale financial assets		-	(17,513)
Finance income	**28**	**52,388**	59,600
Finance costs	**29**	**(22,281)**	(103,242)
Other income	**30**	**60,362**	88,152
Profit for the year		**383,323**	16,179
Attributable to:			
Owners of the Company		**334,683**	7,439
Non-controlling interests		**48,640**	8,740
Profit for the year		**383,323**	16,179
Basic and diluted earnings per share (in AED per share)	**31**	**0.127**	0.003

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

Consolidated statement of comprehensive income for the year ended 31 December 2011

	Notes	2011 AED'000	2010 AED'000
Profit for the year		**383,323**	16,179
Other comprehensive (loss)/income			
Release on disposal of available-for-sale financial assets	**10**	**626**	68
Decrease in fair value of available-for-sale financial assets	**10**	**(107)**	(5,490)
Impairment loss on available-for-sale financial assets		-	17,513
Change in fair value of hedging instruments	**13**	**(3,592)**	5,631
Exchange differences arising on translation of foreign operations		**(1,286)**	(1,983)
Directors' remuneration		-	(9,656)
Other comprehensive (loss)/income for the year		**(4,359)**	6,083
Total comprehensive income for the year		**378,964**	22,262
Total comprehensive income attributable to:			
Owners of the Company		**330,581**	13,920
Non-controlling interest		**48,383**	8,342
		378,964	22,262

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

Consolidated statement of changes in equity
for the year ended 31 December 2011

	Share capital AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Revaluation reserve AED'000	Translation reserve AED'000	Retained earnings AED'000	Equity attributable to owners of the Company AED'000	Non - controlling interests AED'000	Total AED'000
Balance at 1 January 2010	2,500,000	(5,292)	457,387	(14,093)	(12,659)	(1,652)	3,102,930	6,026,621	97,968	6,124,589
Profit for the year	-	-	-	-	-	-	7,439	7,439	8,740	16,179
Transfer to statutory reserve	-	-	744	-	-	-	(744)	-	-	-
Other comprehensive income for the year	-	-	-	5,631	12,091	(1,585)	(9,656)	6,481	(398)	6,083
Dividend adjustment in a subsidiary	-	-	-	-	-	-	18,673	18,673	12,450	31,123
Issue of bonus share	125,000	-	-	-	-	-	(125,000)	-	-	-
Balance at 1 January 2011	2,625,000	(5,292)	458,131	(8,462)	(568)	(3,237)	2,993,642	6,059,214	118,760	6,177,974
Profit for the year	-	-	-	-	-	-	334,683	334,683	48,640	383,323
Transfer to statutory reserve	-	-	33,468	-	-	-	(33,468)	-	-	-
Other comprehensive loss for the year	-	-	-	(3,592)	519	(1,029)	-	(4,102)	(257)	(4,359)
Contribution in the capital of a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	14,000	14,000
Dividend paid by a subsidiary to non-controlling shareholders	-	-	-	-	-	-		-	(6,630)	(6,630)
Balance at 31 December 2011	**2,625,000**	**(5,292)**	**491,599**	**(12,054)**	**(49)**	**(4,266)**	**3,294,857**	**6,389,795**	**174,513**	**6,564,308**

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

Consolidated statement of cash flows for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Operating activities		
Profit for the year	**383,323**	16,179
Adjustments for:		
Depreciation and amortisation	**42,630**	44,156
Loss/(gain) on disposal of property, plant and equipment	**34**	(195)
Provision for infrastructure costs	**76,065**	55,142
Project costs written off, net	**2,005**	13,066
Reversal of impairment of property, plant and equipment	**(23,800)**	-
Impairment of goodwill	**116,888**	162,860
Allowance for doubtful debts	**16,016**	141,931
Reversal of allowance for doubtful debts	**(2,232)**	-
Bad debts written off	**3,259**	-
Fair value loss on investment properties, net	**77,527**	49,327
Gain on disposal of an associate	-	(2,026)
Gain on disposal of investment properties	**(15,795)**	-
Gain on disposal of available-for-sale financial assets	**(4,873)**	(492)
Loss on disposal of other financial assets	-	21,191
Impairment loss on available-for-sale financial assets	-	17,513
Gain on financial assets at fair value through profit and loss	**(77)**	(2,767)
Share of losses/(profits) from associates and joint ventures	**20,431**	(48,655)
Finance income	**(52,388)**	(59,600)
Finance cost	**22,281**	103,242
Provision for employees' end of service benefit, net	**5,143**	5,870
Operating cash flows before movements in working capital	**666,437**	516,742
Decrease in land held for resale	**87,079**	23,818
Increase in inventories	**(7,821)**	(22,435)
Movement on development work in progress, net	**43,123**	(1,485,233)
Decrease in trade and other receivables	**387,603**	456,958
(Decrease)/increase in trade and other payables	**(925,453)**	316,606
Decrease/(increase) in due from related parties	**13,414**	(241,937)
Decrease in due to related parties	**(31,587)**	(13,702)
Net cash from/(used in) operating activities	**232,795**	(449,183)

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

Consolidated statement of cash flows
for the year ended 31 December 2011 (continued)

	2011 AED'000	2010 AED'000
Investing activities		
Payments for property, plant and equipment	**(11,131)**	(23,142)
Proceeds from disposal of property, plant and equipment	**1,894**	4,403
Payments for investment properties	**(615,529)**	(473,915)
Payments to acquire available-for-sale financial assets	**-**	(28)
Proceeds from disposal of financial assets at fair value through profit and loss	**-**	20,806
Proceeds from disposal of available-for-sale financial assets	**17,001**	1,737
Payments for investment in associates	**-**	(2,700)
Proceeds from finance lease	**5,512**	-
Interest received	**48,104**	71,390
Movement in term deposits with original maturities greater than three months and restricted short term deposits	**(81,015)**	983,613
Net cash (used in)/from investing activities	**(635,164)**	582,164
Financing activities		
Bank borrowings raised	**1,000,000**	1,700,000
Repayment of bank borrowings	**(12,543)**	(107,932)
Repayment of non-convertible Sukuk	**-**	(1,974,334)
Dividends paid	**(1,087)**	(5,710)
Finance costs paid	**(141,866)**	(208,323)
Directors' remuneration paid	**-**	(9,656)
Minority contribution in the capital of a subsidiary	**14,000**	-
Adjustment on the minority contribution in the capital of a subsidiary	**(6,630)**	-
Net cash from/(used in) financing activities	**851,874**	(605,955)
Net increase/(decrease) in cash and cash equivalents	**449,505**	(472,974)
Cash and cash equivalents at the beginning of the year	**1,132,695**	1,605,669
Cash and cash equivalents at the end of the year (note 18)	**1,582,200**	1,132,695

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

Notes to the consolidated financial statements
for the year ended 31 December 2011

1 General information

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

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

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

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

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

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendments give first time adopters the same transition provisions that Amendments to IFRS 7 provide to current IFRS preparers.
Amendments to IFRS 3 *Business Combinations*	The amendments clarify the measurement choice regarding non-controlling interests at the date of acquisition and regarding the accounting for share-based payment awards held by acquiree's employees.
Amendments to IAS 1 *Presentation of Financial Statements*	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.
IAS 24 *Related Party Disclosures (as revised in 2009)*	IAS 24 (revised in 2009) has been revised on the following two aspects: definition of a related party and the introduction of a partial exemption from the disclosure requirements for government-related entities.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendment to IAS 32 *Classification of Rights Issues*	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	The amendments address when refunds or reductions in future contributions should be regarded as available; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of a prepaid minimum funding contribution.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	The interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments.
Improvements to *IFRSs* issued in 2010	The application of *Improvements to IFRSs* issued in 2010 which amended IFRS 7, IAS 27, IAS 34 and IFRIC 13.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 7 *Financial Instruments: Disclosures,* relating to Disclosures on Transfers of Financial Assets	1 July 2011
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendment to IFRS 1 *Severe Hyperinflation*	1 July 2011
Amendment to IAS 12 *Income Taxes* relating to Deferred Tax – Recovery of Underlying Assets	1 January 2012
Amendment to IAS 1 *Presentation of Financial Statements* relating to presentation of items of other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting of financial assets and financial liabilities	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendment to IAS 32 *Financial Instruments: Presentation* relating to offsetting of financial assets and financial liabilities	1 January 2014
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

Management anticipates that these amendments will be adopted in the financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments. Historical cost is generally base on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below:

3.3 Basis of consolidation

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

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

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.5 Interests in joint ventures

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

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

3.6 Investments in associates

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

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

3 Summary of significant accounting policies (continued)

3.6 Investments in associates (continued)

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

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

3.7 Goodwill

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

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.8 Intangible assets

3.8.1 Intangible assets acquired separately

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

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

3 Summary of significant accounting policies (continued)

3.8 Intangible assets (continued)

3.8.1 Intangible assets acquired separately (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is capitalised.

3.8.2 Intangible assets acquired in a business combination

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

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

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

Trade name	Indefinite
Leasehold premises	Over periods of leases
Vendor price benefit	20.5 years
Customer relationships	5 – 10 years
Consumer contracts	Based on remaining periods of contracts

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

3.9 Revenue recognition

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

3.9.1 Sale of properties

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

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

3 Summary of significant accounting policies (continued)

3.9 Revenue recognition (continued)

3.9.2 Lease income

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

3.9.3 Interest income

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

3.9.4 Dividend income

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

3.9.5 Income from hotel operations

Income from hotel operations represents total amounts charged to customers and guests during the period including service charges net of the portion applicable to employees as and where applicable, plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances.

3.9.6 Services

Revenue from services is accrued and recognised as the services are rendered. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from services is stated net of rebates and other allowances.

3.10 Construction contracts

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

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

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

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

3 Summary of significant accounting policies (continued)

3.10 Construction contracts (continued)

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

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

3.11 Leasing

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

3.11.1 The Group as lessor

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

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

3.11.2 The Group as lessee

Leases payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Benefits received and receivable as an incentive to enter into the operating lease are also spread on a straight-line basis over the lease term.

3.12 Foreign currencies

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

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

3 Summary of significant accounting policies (continued)

3.12 Foreign currencies (continued)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

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

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

3.13 Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

3.14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of property, plant and equipment is their purchase cost, together with any incidental expense of acquisition.

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

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

3 Summary of significant accounting policies (continued)

3.14 Property, plant and equipment (continued)

Land is not depreciated.

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

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

3.15 Capital work in progress

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

3.16 Inventories

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

3.17 Investment properties

Investment properties comprise completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from investment properties under development to completed properties.

3 Summary of significant accounting policies (continued)

3.18 Development work-in-progress

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

3.19 Land held for resale

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

3.20 Government grants

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

3.21 Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

3 Summary of significant accounting policies (continued)

3.22 Provisions

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

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

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

3.22.1 Employee benefits

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

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the statement of financial position date. The accrual relating to annual leave is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to Abu Dhabi Retirement Pensions and Benefits Fund in accordance with the UAE Federal Law No. (2), 2000. Such contributions are charged to profit or loss during the employees' period of service.

3.23 Cash and cash equivalents

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

3 Summary of significant accounting policies (continued)

3.24 Financial assets

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

Financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.24.1 Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

3 Summary of significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.2 Available-for-sale financial assets (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held to maturity or financials assets at FVTPL. Investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

3.24.3 Loans and receivables

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

3.24.4 Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

For AFS equity investments a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

When an AFS financial asset is considered to be impaired, commutative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

3 Summary of significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.4 Impairment of financial assets (continued)

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.24.5 Derecognition of financial assets

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

3.25 Financial liabilities and equity instruments

3.25.1 Classification as debt or equity

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

3.25.2 Equity instruments

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

3 Summary of significant accounting policies (continued)

3.25 Financial liabilities and equity instruments (continued)

3.25.3 Financial liabilities

Financial liabilities, including borrowings, trade and other payables and due to related parties are initially measured at fair value, net of transaction costs.

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

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

3.25.4 Derecognition of financial liabilities

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

3.26 Derivative financial instruments

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedge relationship.

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

3.26.1 Hedge accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3 Summary of significant accounting policies (continued)

3.26 Derivative financial instruments (continued)

3.26.2 Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognised in consolidated income statement, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgements, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of properties

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

4.1.2 Classification of leases

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

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

During the current year, the Group entered into a lease agreement with a third party. Management has reviewed the terms of the lease and identified the following clauses as relevant for determining the classification of the lease: the lease term at 30 years is for the major part of the asset's useful economic life; and upon expiry all the rights and assignment of the asset shall transfer to the lessee. Management is satisfied that the lease is correctly classified as a finance lease in accordance with the requirements of IAS 17.

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

4.1 Critical judgements in applying the Group's accounting policies (continued)

4.1.3 Contract cost estimates

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

4.2 Key sources of estimation uncertainty

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

4.2.1 Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances. Also, specific provisions for individual accounts are recorded when the Group becomes aware of the customer's inability to meet its financial obligations. At 31 December 2011 management believe the allowance of AED 194.161 million (2010: AED 180.377 million) is sufficient.

4.2.2 Estimate of fair value of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (such as selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.2 Estimate of fair value of investment properties and investment properties under development (continued)

Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

For one of the investment properties, the Group entered into a 30 year lease with a third party on a number of apartments. The lease contains break clauses with different penalties depending on when the lease is broken. For the purpose of property valuation Management assessed and determined that the appropriate lease term should be 30 years in light of the clauses, market rentals and Management's understanding of the tenant's requirements in respect of the lease. Had a term of 5 years been used in the valuation, the fair value of the property would have decreased by AED 165 million.

The continuing volatility in the global financial system and in the real estate industry has contributed to a reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2011, the valuers have used their market knowledge and professional judgement and have not only relied on historic transactional comparables. In these circumstances, there is a greater degree of uncertainty than in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range
Yields	8 – 9.75%
Discount rates	10 – 14%

4.2.3 Estimation of net realisable value for inventory and development work in progress

Properties held for resale and properties classified under development work in progress are stated at lower of cost or net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the end of the reporting period, sales prices, costs of completion and advances received at the end of the reporting period and for certain properties is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available. As a result of management assessment of NRV, development work in progress was written down by AED nil as at 31 December 2011 (2010: AED nil).

4.2.4 Project cost to complete estimates

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

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

4.2 Key sources of estimation uncertainty (continued)

4.2.5 Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. During the current year the useful estimated life of certain intangible assets has been updated from indefinite to 20.5 years remaining. Management determined that all other current year expectations do not differ from previous estimates based on its review.

4.2.6 Impairment of property, plant and equipment including capital work in progress

Property, plant and equipment including properties classified under capital work in progress are assessed for impairment based on assessed cash flows of individual assets when there is indication that those assets have suffered an impairment loss. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates reflecting the current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

At the end of the reporting period, the Group determined that the impairment loss recognised in a prior period for one of its assets has decreased due to the asset's economic performance being better than expected. The Group estimated the recoverable amount of the asset by determining its value in use, which reflects the estimated future net cash flows to be derived from the asset discounted by the same rate of 11% that was used in the previous impairment assessment. Accordingly, impairment losses previously recognised in respect of property, plant and equipment have been decreased and an amount of AED 23.8 million has been reversed in the income statement for the year.

4.2.7 Impairment of available-for-sale financial assets

Management regularly reviews indicators of impairment for available-for-sale financial assets and considers whether there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged decline requires judgement. In making this judgement and to decide if an impairment loss adjustment is necessary, Management evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows and pay out dividend capability of the investee. Management also considers its intent and ability to hold the investment until its market price recovers.

4.2.8 Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.9 Impairment of investments in associates and interests in joint ventures

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. The determination of whether investments in joint ventures and associates are impaired entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment is required on its investments in associates and interests in joint ventures.

4.2.10 Impairment of goodwill and intangible assets identified and recognised upon business combination

Goodwill and assets (including intangible assets) identified and recognised upon business combination are grouped for recoverability assessment and allocated to the cash generating unit that will generate the future cash inflows used in determining the cash generating unit's value in use. The value in use was determined by independent valuers not related to the Group which requires the estimation of the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value of those estimated future cash flows. At 31 December 2011 the impairment recognised is AED 116.9 million (2010: AED 162.9 million).

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

5 Property, plant and equipment

	Buildings AED'000	Furniture & fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Plant and machinery AED'000	Labour camps AED'000	Land in Sharjah AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2010	76,668	38,578	28,967	9,438	66,984	15,972	1,350	7,629	245,586
Additions	-	5,148	3,411	68	13,089	-	-	1,426	23,142
Disposals	(2,357)	(1,565)	(88)	(782)	-	(1,326)	-	(440)	(6,558)
Transfers	(14,748)	16,000	1,291	-	-	-	-	(2,543)	-
1 January 2011	59,563	58,161	33,581	8,724	80,073	14,646	1,350	6,072	262,170
Additions	-	1,570	2,910	1,493	4,699	-	-	459	11,131
Reversal of impairment of assets	23,800	-	-	-	-	-	-	-	23,800
Disposals	-	(750)	(19)	(160)	(2,609)	-	-	-	(3,538)
31 December 2011	**83,363**	**58,981**	**36,472**	**10,057**	**82,163**	**14,646**	**1,350**	**6,531**	**293,563**

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

5 Property, plant and equipment (continued)

	Buildings AED'000	Furniture & fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Plant and machinery AED'000	Labour camps AED'000	Land in Sharjah AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation									
1 January 2010	876	15,738	11,354	5,052	32,249	7,841	-	-	73,110
Disposals	-	(121)	(162)	(741)	-	(1,326)	-	-	(2,350)
Charge for the year	3,005	12,433	8,227	1,635	11,119	2,441	-	-	38,860
1 January 2011	3,881	28,050	19,419	5,946	43,368	8,956	-	-	109,620
Disposals	-	(709)	(12)	(144)	(745)	-	-	-	(1,610)
Charge for the year	2,827	11,566	8,149	1,610	11,977	2,441	-	-	38,570
31 December 2011	**6,708**	**38,907**	**27,556**	**7,412**	**54,600**	**11,397**	-	-	**146,580**
Carrying amount									
31 December 2011	**76,655**	**20,074**	**8,916**	**2,645**	**27,563**	**3,249**	**1,350**	**6,531**	**146,983**
31 December 2010	55,682	30,111	14,162	2,778	36,705	5,690	1,350	6,072	152,550

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

At the end of the reporting period, the Group reassessed the recoverable amount of an asset that was impaired in a prior period and determined that the impairment losses previously recognised have decreased. Accordingly, an amount of AED 23.8 million was reversed in the income statement for the year (see note 4.2.6).

6 Investment properties

	2011			2010		
	Completed properties	**Properties under development**	**Total**	Completed properties	Properties under development	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Balance at the beginning of the year	**1,009,131**	**665,519**	**1,674,650**	983,130	257,223	1,240,353
Development costs incurred during the year	**38,972**	**576,557**	**615,529**	4,001	469,914	473,915
Transfer from development work-in-progress during the year	**1,164,639**	**-**	**1,164,639**	-	-	-
Disposal under finance lease during the year	**-**	**(111,342)**	**(111,342)**	-	-	-
Finance cost capitalised, net	**-**	**44,127**	**44,127**	-	9,709	9,709
(Decrease)/increase in fair value, net	**(77,527)**	**-**	**(77,527)**	22,000	(71,327)	(49,327)
Balance at the end of the year	**2,135,215**	**1,174,861**	**3,310,076**	1,009,131	665,519	1,674,650

The fair value of investment properties has been arrived at on the basis of valuations carried out by CBRE Ltd, DTZ International Ltd and Colliers International, independent valuers not related to the Group. All three valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation of completed properties was determined by reference to the Investment Method using Income Capitalisation Method and Discounted Cash Flow Models, while the valuation of properties under development was determined by reference to the Residual Value Method. The effective date of the valuations is 31 December 2011. Refer to note 4 for the key assumptions.

All investment properties are located in the United Arab Emirates.

7 Intangible assets

	Trade name AED'000	Leasehold premises AED'000	Vendor price benefit AED'000	Customer relationships AED'000	Customer contracts AED'000	Total AED'000
Cost						
As at 31 December 2010	92,683	10,762	25,774	13,379	6,890	149,488
As at 31 December 2011	**92,683**	**10,762**	**25,774**	**13,379**	**6,890**	**149,488**
Accumulated amortisation						
As at 1 January 2010	-	3,802	-	4,910	6,478	15,190
Amortisation for the year	-	1,586	-	2,865	412	4,863
As at 1 January 2011	-	5,388	-	7,775	6,890	20,053
Amortisation for the year	-	1,233	-	2,393	-	3,626
As at 31 December 2011	-	**6,621**	-	**10,168**	**6,890**	**23,679**
Carrying amount						
As at 31 December 2011	**92,683**	**4,141**	**25,774**	**3,211**	-	**125,809**
As at 31 December 2010	92,683	5,374	25,774	5,604	-	129,435

8 Goodwill

	2011 AED'000	2010 AED'000
Opening balance	**315,648**	478,508
Impairment recognised during the year	**(116,888)**	(162,860)
	198,760	315,648

At the end of the year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain projects of the Group was impaired by AED 116.9 million (2010: AED 162.9 million). The recoverable amount of the goodwill was assessed by reference to the related cash generating unit and based on a valuation carried out by independent valuers not related to the Group.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

9 Investments in associates and interest in joint ventures

Investee	Ownership interest	Place of registration	Principal activity	Share in underlying net assets at 1 January 2011 AED'000	Addition AED'000	Disposal AED'000	Share in current year profit/loss AED'000	Allocated to associate/joint venture current account AED'000	Share in underlying net assets at 31 December 2011 AED'000
Associates									
Al Maabar International Investment LLC	20%	Abu Dhabi	Real estate ownership, management and development	160,460	-	-	(19,833)	-	140,627
Aseel Finance PJSC	20%	Abu Dhabi	Provide financing under Sharia compliant	103,178	-	-	8,318	-	111,496
Green Emirates Properties PJSC	20%	Abu Dhabi	Brokerage, development and associated real estate services	72,060	-	-	(13,670)	-	58,390
Bunya Enterprises - LLC	33%	Abu Dhabi	Infrastructure	-	-	-	(6,898)	6,898	-
Al Sdeirah Real Estate Investment – LLC	30%	Abu Dhabi	Property development and real estate investment	5,369	-	-	1,605	-	6,974
Galaxy Building Materials Trading LLC	45%	Abu Dhabi	Trading and import of building materials	1,636	-	-	10,047	-	11,683
Al Fayafi Al Khadra Landscaping LLC	40%	Abu Dhabi	Landscaping of properties	800	-	-	-	-	800
World-Class Initiatives and Standards in Education (W.I.S.E.) LLC	20%	Abu Dhabi	Ownership and management of cultural and educational facilities and institutions	10,000	-	-	-	-	10,000
				353,503	-	-	(20,431)	6,898	339,970
Joint ventures									
S&T Cool District Cooling Co. LLC	50%	Abu Dhabi	Provide district cooling to properties	49	-	-	-	-	49
Abu Dhabi Business Parks Co. LLC *	51%	Abu Dhabi	Real estate ownership, management and development	-	-	-	-	-	-
				49	-	-	-	-	49
				353,552	-	-	**(20,431)**	**6,898**	**340,019**

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

9 Investment in associates and joint ventures (continued)

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

	2011 **AED '000**	2010 AED '000
Total assets	**7,533,289**	7,350,773
Total liabilities	**5,513,858**	5,678,144
Net assets	**2,019,431**	1,672,629
Group's share of net assets of associates and joint ventures	**472,714**	273,170
Total revenue	**176,256**	224,996
Total (loss)/profit for the year	**(41,062)**	145,284
Group's share of (loss)/profit of associates and joint ventures	**(20,431)**	48,655

* During the year, one of the Group's investments in joint ventures "Abu Dhabi Business Parks Co. L.L.C." was dissolved. The investment value was AED nil prior to the dissolution. No gain or loss was recognised as a result

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

10 Available-for-sale financial assets

	2011 AED'000	2010 AED'000
Investment in UAE unquoted securities:		
At cost	**96,000**	96,000
At fair value	**37**	11,043
	96,037	107,043
Investment in international unquoted securities:		
At cost	**23,251**	23,251
At fair value	**966**	1,569
	24,217	24,820
	120,254	131,863

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	**131,863**	138,502
Additions during the year	-	28
Disposals during the year	**(12,128)**	(1,245)
Release of fair value on disposals during the year	**626**	68
Changes in fair value	**(107)**	(5,490)
Balance at the end of the year	**120,254**	131,863

The Group has reassessed the fair value of part of its AFS financial assets based on recent trading transactions and recognised a fair value loss of AED 0.1 million (2010: AED 5.5 million loss). Due to the absence of an active market for the remaining AFS financial assets or any recent transactions that could provide evidence of their current fair value, these assets are carried at cost.

Management reviewed its available-for-sale financial assets for impairment based on criteria that include the extent to which carrying value exceeds market value, the duration of the market decline, management's intent and ability to hold investment up to recovery and the financial health and specific prospects for the issuer. No impairment was identified as at 31 December 2011 (2010: AED 17.5 million).

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

11 Finance lease receivable

During the year, the Group derecognised a completed property in accordance with a 30-year lease agreement entered into with a third party. Accordingly, the Group recognised a gain on disposal of AED 15.8 million and a finance lease receivable for AED 127.1 million at the date of the transaction.

Amounts receivable under finance lease

	Minimum lease payments		**Present value of minimum lease payments**	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
Within one year	**10,250**	-	**9,312**	-
In the second to fifth years inclusive	**41,000**	-	**30,841**	-
Later than 5 years	**266,000**	-	**81,472**	-
	317,250	-	**121,625**	-
Less unearned finance income	**(195,625)**	-	-	-
Present value of minimum lease receivable	**121,625**	-	**121,625**	-
Included in the financial statements as: Current finance lease receivable	**9,312**	-	**9,312**	-
Non-current finance lease receivable	**112,313**	-	**112,313**	-

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

12 Trade and other receivables

	2011 AED'000	2010 AED'000
Non-current portion		
Trade receivables	**406,069**	505,455
Current portion		
Trade receivables	**1,958,374**	2,041,557
Less: allowance for doubtful debts	**(194,161)**	(180,377)
	1,764,213	1,861,180
Advances to contractors	**300,266**	517,660
Advance for acquisition of property	**221,239**	184,366
Retention receivable	**52,309**	39,338
Prepaid lease	**434**	-
Other prepayments	**23,655**	18,701
Accrued income	**3,754**	2,452
Interest receivable	**14,205**	7,298
Gross amount due from customers on construction contracts (see below)	**5,042**	-
Other receivables	**116,680**	168,121
	2,501,797	2,799,116
Total trade and other receivables	**2,907,866**	3,304,571

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

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

Of the trade receivables balance at the end of the year, 69% is due from 5 major customers (2010: 54% from 5 major customers). There are no other customers who represent more than 5% of the total balance of trade receivables. Concentration of credit risk is mitigated due to the fact that the customers have already made substantial installment payments on the plots, which would not be refundable in the event of non-completion of remaining contractual obligations.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 1,469 million (2010 : AED 928 million) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

12 Trade and other receivables (continued)

Ageing of past due but not impaired:

	2011 AED'000	2010 AED'000
0-60 days	**86,656**	124,052
61-90 days	**109,682**	61,839
91-120 days	**6,707**	17,079
121-365 days	**470,109**	568,893
Above 365 days	**795,936**	156,526
	1,469,090	928,389

Movement in the allowance for doubtful debts:

	2011 AED'000	2010 AED'000
Balance at beginning of the year	**180,377**	77,611
Charge for the year	**16,016**	102,766
Reversed during the year	**(2,232)**	-
Balance at end of the year	**194,161**	180,377

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. During the year receivables totaling AED 3.3 million (2010: AED Nil) were written off directly based on management's assessment. Management believes that there is no further credit provision required in excess of the existing allowance for doubtful debts.

Contracts in progress at the end of the reporting period

	2011 AED'000	2010 AED'000
Amount due from transaction contracts customers included in trade and other receivables	**5,042**	-
Amount due to customers on construction contracts included in trade and other payables (note 23)	**(271,545)**	(271,553)
	(266,503)	(271,553)
Total contracts cost incurred plus recognised profits less recognised losses to date	**2,955,934**	2,019,748
Less: total progress billings to date	**(3,222,437)**	(2,291,301)
	(266,503)	(271,553)

13 Other financial instrument

In 2010, in connection with the Club loan obtained (see note 22), the Group entered into a hedge agreement with a bank in order to hedge its exposure to movements in interest rates. Under the hedge agreement, the Group hedged 11% of the drawn Club loan as at 31 December 2011 using a 3-month floating-to-fixed amortising interest rate 4 year swap (with average life of around 3 years). The swap is a derivative designated and effective as a hedging instrument. As at 31 December 2011 the fair value of this swap is negative AED 3.1 million (2010: positive AED 0.5 million) and accordingly the fair value movement of AED 3.6 million is recorded in other comprehensive income.

14 Inventories

	2011	2010
	AED'000	AED'000
Materials on site	**43,459**	35,761
Food and beverage	**230**	210
Others	**227**	195
Less: allowance for inventory obsolescence	**(423)**	(494)
	43,493	35,672

15 Land held for resale

	2011	2010
	AED'000	AED'000
Balance at the beginning of the year	**614,687**	638,505
Transfer to development work-in-progress	**(62,600)**	-
Disposals during the year	**(24,479)**	(23,818)
Balance at the end of the year	**527,608**	614,687

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

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

16 Development work-in-progress

	2011 AED'000	2010 AED'000
Balance at beginning of the year	**5,273,146**	3,778,406
Additions during the year	**2,554,041**	1,649,867
Disposals during the year	**(2,597,164)**	(164,634)
Finance costs capitalised, net	**79,544**	22,573
Transfer to investment property	**(1,164,639)**	-
	4,144,928	5,286,212
Less: Project costs written off during the year	**(2,005)**	(13,066)
Balance at the end of the year	**4,142,923**	5,273,146

All development work-in-progress relates to projects undertaken in the United Arab Emirates, except for Egypt project and Morocco project which are still in the pre-development phase with costs amounting to AED 58.6 million and AED 21.2 million respectively as at 31 December 2011 (2010: AED 60.2 million and AED 18.2 million respectively).

17 Financial assets at fair value through profit or loss

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	**2,458**	20,497
Disposal during the year	-	(18,087)
Fair value gain	**77**	48
Balance at the end of the year	**2,535**	2,458

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

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

18 Cash and bank balances

	2011 AED'000	2010 AED'000
Fixed deposits	**1,498,926**	1,082,301
Current account	**202,645**	134,272
Call account	**135,116**	89,755
Cash in hand	**694**	533
Cash and bank balances	**1,837,381**	1,306,861
Less:		
Short term deposits with original maturities greater than three months	**(56,762)**	(7,380)
Deposits held under lien by the banks	**(198,419)**	(166,786)
Cash and cash equivalents	**1,582,200**	1,132,695

The interest rate on term deposits ranges between 0.35% and 3.25% per annum based on the maturity of the deposits.

19 Share capital

Share capital comprises of AED 2,625,000,000 authorised, issued and fully paid up ordinary shares of AED 1 each.

20 Statutory reserve

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

21 Provision for end of service benefits

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

	2011 AED'000	2010 AED'000
Balance at 1 January	**31,750**	25,880
Charge during the year	**10,339**	9,303
Payments during the year	**(5,196)**	(3,433)
Balance at 31 December	**36,893**	31,750

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

22 Bank borrowings

	2011		2010	
	Current AED'000	**Non-current AED'000**	Current AED'000	Non-current AED'000
Secured – at amortised cost				
Bank loan (1)	**5,864**	**5,864**	5,864	11,728
Club loan (2)	**418,800**	**2,223,044**	-	1,618,389
Bank overdraft	-	-	6,679	-
	424,664	**2,228,908**	12,543	1,630,117

Bank loan (1)

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

Club loan (2)

In 2010, the Group concluded an AED 2.7 billion four-year club loan facility from various banks consisting of a term loan and revolving credit, with both conventional and Islamic tranches. The facility is used for general corporate purposes, including the early redemption of the remaining outstanding balance of the non-convertible Sukuk. The amount has been fully drawn as at 31 December 2011.

The facility bears interest at the rate of EIBOR + 4.5% per annum. The term loan has a grace period of 27 months and then amortises, commencing September 2012, over the remaining 21 months to maturity.

The facility is secured by collateral over some of the Group's assets. The Group is also required to adhere to certain financial covenants as follows: minimum tangible net worth of the Group AED 5 billion, debt to equity ratio not to exceed 1.25:1, collateral coverage ratio minimum 1.6:1, interest cover ratio minimum 2.0:1 and debt service cover ratio minimum 1.5:1. The Group has been in compliance with these covenants during the year.

Transactions costs in connection with the facility amounted to AED 90.5 million. Interest expense amounting to AED 138 million has been capitalised during the year (see note 29).

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

23 Trade and other payables

	2011	2010
	AED'000	AED'000
Advances from customers	**2,150,174**	3,357,497
Provision for infrastructure costs	**892,410**	731,292
Accrued expenses	**821,440**	565,671
Retention payable	**292,129**	349,084
Gross amounts due to contracts' customers (note 12)	**271,545**	271,553
Trade payables	**229,043**	188,301
Other payables	**105,772**	122,918
Dividend payable	**41,036**	42,123
Notes payable	**39,609**	39,609
Payable to minority shareholders	-	33,000
	4,843,158	5,701,048

The average credit period on purchases is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit frame.

24 Revenue

	2011	2010
	AED'000	AED'000
Sale of properties	**2,390,249**	526,820
Construction contracts revenue	**1,114,060**	450,442
Lease income	**173,632**	170,833
Revenue from the rendering of services	**86,170**	39,365
Income from hotel operations	**23,414**	17,716
	3,787,525	1,205,176

25 Cost of sales

	2011	2010
	AED'000	AED'000
Cost of sold properties	**2,030,272**	289,318
Cost of construction contracts	**954,967**	308,737
Lease expense	**30,184**	35,676
Cost of services	**71,382**	32,979
Cost of hotel operations	**7,302**	6,824
	3,094,107	673,534

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

26 Other general and administrative expenses

	2011 AED'000	2010 AED'000
Staff costs	**108,950**	98,422
Office rent	**8,629**	12,386
Depreciation on property, plant and equipment	**22,863**	23,806
Consultation and advisory costs	**2,750**	4,747
Amortisation of intangible assets	**3,626**	4,863
Others	**31,235**	65,771
	178,053	209,995

27 Selling and marketing expenses

	2011 AED'000	2010 AED'000
Exhibitions and sponsorships	**17,559**	14,492
Advertising expenses	**4,580**	11,731
Sales commission	**6,569**	3,625
Others	**2,222**	5,321
	30,930	35,169

28 Finance income

	2011 AED'000	2010 AED'000
Gross finance income	**13,205**	55,842
Amounts offset against finance costs capitalised during the year	-	(12,045)
	13,205	43,797
Financing element earned on receivables	**39,183**	15,803
	52,388	59,600

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

29 Finance costs

	2011 AED'000	2010 AED'000
Gross finance costs from loans	**156,581**	151,018
Interest on overdraft and other facilities	**3,798**	3,215
Net foreign exchange gain	**-**	(898)
Amounts included in the cost of qualifying assets (see note 22)	**(138,098)**	(50,093)
	22,281	103,242

30 Other income

	2011 AED'000	2010 AED'000
Transfer and other fees	**6,812**	18,950
Commission income and management fees from an associate (see note 32)	**14,214**	13,993
(Reversal of)/late payment charges income	**(4,737)**	8,286
Gain on disposal of an associate	**-**	2,026
Advances retained from cancelled units	**7,469**	-
Gain on settlement agreement	**9,430**	-
Others	**27,174**	44,897
	60,362	88,152

31 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the owners of the Company by the weighted average number of shares outstanding during the year.

The Company has not issued any instruments which would have an impact on earnings per share when exercised, and accordingly the diluted earnings per share are the same as the basic earnings per share.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

32 Transactions and balances with related parties

Related parties include the Group's major shareholders, Directors and key management personnel, and businesses controlled by them and their families or over which they exercise a significant influence in financial and operating decisions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

	2011	2010
Due from related parties	**AED'000**	AED'000
Current		
Due from associates and joint ventures	**294,508**	273,764
Due from Directors	-	1,800
Others	**10,944**	43,302
	305,452	318,866
Non-Current		
Due from Directors	-	600
Due to related parties		
Current		
Due to non- controlling shareholders in subsidiaries	**11,048**	13,422
Due to associates and joint ventures	**29,432**	2,424
Others	**5,380**	44,663
	45,860	60,509
Non-Current		
Due to non- controlling shareholders in subsidiaries	**2,559**	19,497

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

32 Transactions and balances with related parties (continued)

Significant transactions with these related parties are as follows:

	2011 **AED'000**	2010 AED'000
Revenue from sale of properties to Directors	**137,476**	3,324
Advances and payments effected on behalf of associates	**14,225**	201,307
Commission income and management fees from an associate (see note 30)	**14,214**	13,993
Key management personnel remuneration	**12,260**	14,453

33 Contingent liabilities and commitments

	2011 **AED'000**	2010 AED'000
Bank guarantees	**615,627**	226,678
Letters of credit	**52,358**	34,172

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

Contractual capital commitments at 31 December 2011 in respect of agreements with consultants and contractors for projects under development amounted to AED 4.9 billion (31 December 2010: AED 5.1 billion) which are all expected to be paid within 4 years from the reporting date.

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

	2011 **AED'000**	2010 AED'000
Not later than one year	**17,500**	21,000
Later than one year but not later than five years	**98,500**	73,000
Later than five years	**344,500**	380,000
	460,500	474,000

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

34 Financial instruments

34.1 Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 22, and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

34.1.1 Gearing ratio

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

The gearing ratio at the year-end was as follows:

	2011	2010
	AED'000	AED'000
Debt (i)	**2,653,572**	1,642,660
Equity (ii)	**6,389,795**	6,059,214
Debt to equity ratio	**41.53%**	27.11%

(i) Debt is defined as long and short-term bank borrowings, as detailed in Note 22.
(ii) Equity attributable to the owners of the Company.

34.2 Significant accounting policies

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

34.3 Financial risk management objectives

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

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

34 Financial instruments (continued)

34.4 Market risk

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

34.4.1 Foreign currency risk management

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have significant exposure to currency risk as most of its monetary assets and liabilities are denominated in UAE Dirhams.

34.4.2 Interest rate risk management

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

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 18 and 22.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by AED 12 million (2010: decrease/increase by AED 7 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

34.4.3 Other price risks

The Group holds equity investments for strategic and trading purposes. The majority of available-for-sale financial assets are held at cost rather than at fair value. The value of financial assets at fair value through profit or loss is insignificant, therefore, exposure to equity price risk is minimal.

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

34 Financial instruments (continued)

34.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group's significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics is provided in Note 12. The Group defines counterparties as having similar characteristics if they are related entities. Management believes that the concentration of credit risk is mitigated by financial stability of its trade customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

The carrying amount of trade and other receivables, finance lease receivable, amounts due from related parties and cash and cash equivalents represents the Group's maximum exposure to credit risk.

34.6 Liquidity risk management

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

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

	Effective interest rate %	Less than 1 month AED'000	1-6 months AED'000	7 months to 1 year AED'000	1-5 years AED'000	Longer than 5 years AED'000	Total AED'000
2011							
Non-interest bearing		**167,656**	**468,954**	**1,631,587**	**972,630**	**-**	**3,240,827**
Interest bearing instruments	**3.25**	**1,582,200**	**57,116**	**198,786**	**5,713**	**115,191**	**1,959,006**
		1,749,856	**526,070**	**1,830,373**	**978,343**	**115,191**	**5,199,833**
2010							
Non-interest bearing		54,716	741,882	1,783,133	674,958	-	3,254,689
Interest bearing instruments	4.25	1,132,695	7,380	166,786	-	-	1,306,861
		1,187,411	749,262	1,949,919	674,958	-	4,561,550

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

34 Financial instruments (continued)

34.6 Liquidity risk management (continued)

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

	Effective interest rate %	Less than 1 month AED'000	1-6 months AED'000	7 months to 1 year AED'000	1-5 years AED'000	Total AED'000
2011						
Non-interest bearing		**337,676**	**1,018,062**	**1,104,798**	**12,613**	**2,473,149**
Interest bearing instruments	**7.68**	-	-	**424,664**	**2,228,908**	**2,653,572**
		337,676	**1,018,062**	**1,529,462**	**2,241,521**	**5,126,721**
2010						
Non-interest bearing		116,698	1,018,134	997,675	19,823	2,152,330
Interest bearing instruments	8.15	-	-	12,544	1,630,117	1,642,661
		116,698	1,018,134	1,010,219	1,649,940	3,794,991

The Group expects to meet its other obligations from operating cash flows, proceeds of maturing financial assets and the issuance of new debt.

34.7 Fair value of financial instruments

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

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

34 Financial instruments (continued)

34.7 Fair value of financial instruments (continued)

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

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and traded derivatives.

- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Available-for-sale financial assets				
Equity investments	-	**96,000**	-	**96,000**
AFS investment funds	**965**	**23,251**	-	**24,216**
Total	**965**	**119,251**	-	**120,216**
Financial assets at FVTPL				
Listed equity securities	**2,535**	**-**	**-**	**2,535**
Other financial instrument				
Hedging instrument	**-**	**3,078**	**-**	**3,078**

35 Segment reporting

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

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

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

35 Segment reporting (continued)

Year ended 31 December 2011	Hospitality AED'000	Property development and sales AED'000	Land sales AED'000	Investment properties AED'000	Construction AED'000	Unallocated items AED'000	Total AED'000
Revenue	23,414	2,179,508	210,741	259,802	1,114,060	-	3,787,525
Cost of sales	(7,302)	(1,879,563)	(150,709)	(101,566)	(954,967)	-	(3,094,107)
Fair value loss on investment properties, net	-	-	-	(77,527)	-	-	(77,527)
Project cost written off, net	-	(2,005)	-	-	-	-	(2,005)
Allowance for doubtful debts	-	(8,115)	-	-	(7,901)	-	(16,016)
Bad debts written off	-	-	-	-	(3,259)	-	(3,259)
Reversal of impairment of property, plant and equipment	-	23,800	-	-	-	-	23,800
Impairment of goodwill	-	(50,468)	-	(66,420)	-	-	(116,888)
Gain on disposal of disposal of investment properties	-	-	-	15,795	-	-	15,795
Segment profit/(loss)	16,112	263,157	60,032	30,084	147,933	-	517,318
Profit from operations							
Unrealised gain on financial assets at fair value through profit or loss						77	77
Realised gain on disposal of financial assets at fair value through profit or loss						4,873	4,873
Share of losses from associates and joint venture						(20,431)	(20,431)
General and administrative						(178,053)	(178,053)
Selling and marketing						(30,930)	(30,930)
Finance income						52,388	52,388
Finance costs						(22,281)	(22,281)
Other income						60,362	60,362
							383,323

Notes to the consolidated financial statements
for the year ended 31 December 2011 (continued)

35 Segment reporting (continued)

Year ended 31 December 2010	Hospitality AED'000	Property development and sales AED'000	Land sales AED'000	Investment properties AED'000	Construction AED'000	Unallocated items AED'000	Total AED'000
External revenue	17,716	159,356	367,463	210,199	450,442	-	1,205,176
Cost of revenue	(6,824)	(102,313)	(98,681)	(68,654)	(397,062)	-	(673,534)
Fair value loss on investment properties, net	-	-	-	(49,327)	-	-	(49,327)
Project cost written off, net	-	(13,066)	-	-	-	-	(13,066)
Provision for doubtful debts	-	-	(141,931)	-	-	-	(141,931)
Impairment of goodwill	-	-	-	(162,860)	-	-	(162,860)
Segment profit/(loss)	10,892	43,977	126,851	(70,642)	53,380	-	164,458
Unrealised gain on financial assets at fair value through profit or loss						48	48
Realised gain on disposal of financial assets at fair value through profit of loss						2,719	2,719
Realised loss on disposal of other financial assets						(21,191)	(21,191)
Impairment loss on available-for-sale financial assets						(17,513)	(17,513)
Realised profit on disposal of available-for-sale financial assets						492	492
Share of profit from associates and joint venture						48,655	48,655
General and administrative						(170,830)	(170,830)
Selling and marketing						(35,169)	(35,169)
Finance income						59,600	59,600
Finance costs						(103,242)	(103,242)
Other income						88,152	88,152
							16,179

Notes to the consolidated financial statements for the year ended 31 December 2011 (continued)

35 Segment information (continued)

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

As at 31 December 2011	Hospitality AED'000	Property development AED'000	Land sales AED'000	Construction AED'000	Investment properties portfolio AED'000	Unallocated AED'000	Group AED'000
Assets	**89,847**	**5,659,265**	**3,330,774**	**1,436,211**	**3,621,537**	**12,007**	**14,149,641**
Liabilities	**3,161**	**5,353,417**	**1,026,869**	**407,905**	**719,782**	**74,199**	**7,585,333**
As at 31 December 2010							
Assets	97,955	7,159,409	4,101,474	1,052,004	1,182,067	40,855	13,633,764
Liabilities	6,383	5,190,006	876,852	1,167,334	169,667	45,548	7,455,790

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

36 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 February 2012.

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27 November 2013

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE PROSPECTUS REGARDING THE PROPOSED ISSUE OF U.S.$750,000,000 TRUST CERTIFICATES

We have completed our assurance engagement to report on the compilation of pro forma financial information of Aldar Properties PJSC (the "Company") by directors of the Company (the "Directors"). The pro forma financial information includes the pro forma revenue, gross profit and profit for the nine month period ended 30 September 2013, and related notes as set out on pages 64-65 of the Prospectus issued by the Company. The pro forma information has been compiled on the basis of Annex II of Commission Regulation (EC) No. 809/2004 ("the Commission Regulation") as implemented in the Republic of Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Prospectus Regulations").

The pro forma financial information has been compiled by the Directors to illustrate the impact of the merger with Sorouh Real Estate PJSC which was completed on 15 May 2013, on the Company's financial performance for the nine month period ended 30 September 2013 as if the merger had taken place at 1 January 2013. As part of this process, information about the Company's financial performance has been extracted by the Directors from the company's consolidated interim financial statements for the nine month period ended 30 September 2013, prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" (IAS 34), on which a review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information on the basis which is consistent with the Company's accounting policies as set out in Note 3 to the Company's financial statements at 31 December 2012 and the applicable criteria specified by the Commission Regulation and the Prospectus Regulations.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the Directors on the basis specified in the Commission Regulation and the Prospectus Regulations based on our procedures performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditor comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether pro forma financial information has been compiled, in all material respects, on the basis specified in the Commission Regulation and the Prospectus Regulations.

Member of Deloitte Touche Tohmatsu Limited

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, the pro forma financial information has been properly compiled on the basis stated and such basis is consistent with the accounting policies of the Company.

Declaration

We are responsible for this report as part of the Prospectus and declare that, having taken all reasonable care to ensure that it is the case, the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Deloitte & Touche

Deloitte & Touche (M.E.)

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