Emaar Properties PJSC and its Subsidiaries

Consolidated Financial Statements
31 December 2010

13th Annual General Meeting

Directors' Report and Consolidated Financial Statements 2010

Contents

DIRECTORS' REPORT

The Board of Directors of Emaar Properties PJSC (the "Company") and its Subsidiaries (the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as of 31 December 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2010.

Principal activities

The principal activities of the Group during the year ended 31 December 2010 were property investment and development, property management services, hospitality, retail and investment in providers of financial services.

Financial results

The Group has recorded a net profit of AED 2,448 million for the year ended 31 December 2010 (2009: AED 327 million).

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 245 million is made to a general reserve from the distributable profit of AED 2,448 million.

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

In view of the funding requirements of the Company to increase the recurring revenue generating assets and for Company's growth, the Board of Directors of the Company has not recommended any dividend to the shareholders for the year 2010, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

The balance of the distributable profit of AED 2,203 million after considering appropriation to general reserve will be transferred to retained earnings.

Total shareholders' funds as at 31 December 2010 amount to AED 31,069 million (2009: AED 28,677 million).

Outlook 2011

In 2011, the Group is expected to hand over certain projects in key international markets signifying the achievement of the Group's strategy of geographical diversification in the emerging markets. The Group expects to replicate the Group's domestic success by creating master planned integrated communities with the hand over of houses in Egypt, Saudi Arabia and opening of Damascus Stock Exchange within the Group's commercial project in Syria creating the Financial Centre of the country.

The Group would continue strengthening its malls and hospitality businesses through optimum utilisation of resources and continue to build on Group's successful diversified growth model by realising the benefits of its investments in shopping malls and hospitality & leisure. During 2011, the Group also targets to start construction of certain malls and hospitality assets in international markets, where the Group has its footprint, increasing its revenue from recurring sources of income.

The Group remains focused with its objective of delivering results committed towards creating value for its shareholders.

DIRECTORS' REPORT (continued)

Directors

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

Auditors

Ernst and Young were appointed as external auditors of the Group for the year ended 31 December 2010. The Board of Directors has invited proposals from the other reputed audit firms and will put forth their recommendation for the appointment of auditors for 2011 for approval by the shareholders at the forthcoming Annual General Meeting.

On behalf of the Board

Mohamed Ali Alabbar
Chairman
Dubai, United Arab Emirates
20 February 2011

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC AND ITS SUBSIDIARIES

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Emaar Properties PJSC and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 controls. 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC AND ITS SUBSIDIARIES (continued)

Emphasis of Matter

We draw attention to notes 16 (iv) and 16 (v) to the consolidated financial statements regarding the Group's investment in Amlak Finance PJSC. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of Emaar Properties PJSC; proper books of account have been kept by Emaar Properties PJSC, an inventory was duly carried out and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of Emaar Properties PJSC have occurred during the year which would have had a material effect on the business of Emaar Properties PJSC or on its financial position.

Ernst & Young

Signed by
Farrukh Seer
Partner
For Ernst & Young
Registration No. 491
Dubai, United Arab Emirates
20 February 2011

Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010 ***(US $1.00 = AED 3.673)***

	Notes	***2010 AED'000***	*2009 AED'000*
CONTINUING OPERATIONS			
Revenue	4	**12,150,274**	8,413,262
Cost of revenue	4	**(7,603,530)**	(4,313,806)
GROSS PROFIT		**4,546,744**	4,099,456
Other operating income		**345,808**	519,816
Selling, general and administrative expenses	5	**(2,028,190)**	(1,911,865)
Other operating expenses		**(233,203)**	(287,579)
Finance costs		**(355,006)**	(216,687)
Finance income	6	**265,007**	355,733
Other income	18	**612,348**	83,026
Share of results of associated companies	16	**(430,484)**	(534,469)
Loss on disposal of subsidiaries	7	**(52,522)**	-
Impairment of assets	13, 16	**(192,052)**	(79,677)
PROFIT BEFORE TAX		**2,478,450**	2,027,754
Income tax (expense)/ credit	8	**(1,439)**	23,541
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**2,477,011**	2,051,295
DISCONTINUED OPERATIONS			
Loss from discontinued operations	9	**-**	(1,761,919)
NET PROFIT FOR THE YEAR		**2,477,011**	289,376
ATTRIBUTABLE TO:			
Owners of the parent		**2,448,229**	327,315
Non-controlling interest		**28,782**	(37,939)
		2,477,011	289,376
Earnings per share attributable to the owners of the parent:			
Total operations			
- basic and diluted earnings per share (AED)	28	**0.40**	0.05
Continuing operations			
- basic and diluted earnings per share (AED)	28	**0.40**	0.34
Discontinued operations			
- basic and diluted earnings per share (AED)	28	-	(0.29)

The attached notes 1 to 35 form part of these consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010 ***(US $1.00 = AED 3.673)***

	Note	***2010*** ***AED'000***	*2009* *AED'000*
Net profit for the year		**2,477,011**	289,376
Other comprehensive income/ (loss):			
Decrease in hedging reserve	27	**(9,173)**	(328)
(Decrease)/ increase in unrealised reserve		**(208,646)**	43,200
Realised loss of fair value movement through other comprehensive income		**(62,964)**	-
Increase in foreign currency translation reserve		**183,017**	210,410
Other comprehensive (loss)/ income for the year		**(97,766)**	253,282
Total comprehensive income for the year		**2,379,245**	542,658
ATTRIBUTABLE TO:			
Owners of the parent		**2,353,684**	574,093
Non-controlling interest		**25,561**	(31,435)
		2,379,245	542,658

The attached notes 1 to 35 form part of these consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010 ***(US $1.00 = AED 3.673)***

	Notes	***2010 AED'000***	*2009 AED'000*
ASSETS			
Bank balances and cash	10	**5,041,701**	2,266,835
Trade receivables	11	**902,022**	981,354
Other receivables, deposits and prepayments	12	**2,854,687**	3,211,297
Development properties	13	**26,492,486**	31,075,718
Securities	14	**694,183**	936,661
Loans to associates	15	**2,231,724**	2,005,146
Investments in associates	16	**7,592,088**	7,860,604
Property, plant and equipment	17	**8,539,290**	6,821,705
Investment properties	18	**8,110,081**	8,546,087
Goodwill	19	**46,066**	439,391
TOTAL ASSETS		**62,504,328**	64,144,798
LIABILITIES AND EQUITY			
LIABILITIES			
Advances from customers	20	**9,889,394**	15,888,064
Trade and other payables	21	**8,938,956**	9,545,382
Interest-bearing loans and borrowings	22	**9,410,112**	8,625,104
Convertible notes - liability component	23	**1,758,431**	-
Retentions payable	24	**1,148,904**	1,160,306
Provision for employees' end-of-service benefits	25	**58,500**	46,934
TOTAL LIABILITIES		**31,204,297**	35,265,790
EQUITY			
Equity attributable to owners of the parent company			
Share capital	26	**6,091,239**	6,091,239
Treasury shares	26	**-**	(1,113)
Employees' performance share program		**(1,684)**	(1,684)
Reserves	27	**14,924,271**	14,711,373
Convertible notes - equity component	23	**37,155**	-
Retained earnings		**10,017,943**	7,877,501
		31,068,924	28,677,316
Non-controlling interest		**231,107**	201,692
TOTAL EQUITY		**31,300,031**	28,879,008
TOTAL LIABILITIES AND EQUITY		**62,504,328**	64,144,798

The consolidated financial statements were authorised for issue on 20 February 2011 by:

Chairman

Director

The attached notes 1 to 35 form part of these consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010 ***(US $1.00 = AED 3.673)***

	Notes	*2010 AED'000*	*2009 AED'000 (Restated)*
CONTINUING OPERATIONS			
OPERATING ACTIVITIES			
Profit before tax		**2,478,450**	2,027,754
Adjustments for:			
Share of results of associated companies	16	**430,484**	534,469
Depreciation	5	**804,616**	635,712
Provision for employees' end-of-service benefits, net	25	**11,566**	9,842
Gain on disposal of investment properties	18	**(379,022)**	-
(Gain)/ loss on disposal of property, plant and equipment		**(15,527)**	1,033
Finance cost		**355,006**	216,687
Finance income	6	**(265,007)**	(355,733)
Impairment of assets/ provision for doubtful debts/ write off		**308,393**	174,161
Loss on disposal of subsidiaries	7	**52,522**	-
Cash from operations before working capital changes:		**3,781,481**	3,243,925
Trade receivables, net		**(44,859)**	18,461
Other receivables, deposits and prepayments		**271,988**	145,889
Development properties, net		**2,952,928**	(3,019,744)
Advances from customers, net		**(5,998,670)**	(2,221,360)
Trade and other payables		**(490,263)**	2,744
Retentions payable	24	**(11,402)**	81,757
Income tax, net	8	**3,131**	(2,998)
Net cash from/ (used in) operating activities		**464,334**	(1,751,326)
INVESTING ACTIVITIES			
Purchase of securities		**(9,812)**	(12,543)
Proceeds from disposal of securities		**12,894**	-
Proceeds from disposal of subsidiaries		**405,957**	-
Finance income received		**176,741**	284,832
Additional investments in associates, net		**(350,055)**	(635,121)
Amounts incurred on investment properties	18	**(8,815)**	(132,153)
Purchase of property, plant and equipment	17	**(769,977)**	(1,733,810)
Proceeds from sale of property, plant and equipment		**48,500**	6,420
Proceeds from sale of investment properties	18	**557,967**	-
Deposits maturing after three months (including deposits under lien)	10	**(2,861,532)**	(283,053)
Net cash used in investing activities		**(2,798,132)**	(2,505,428)
FINANCING ACTIVITIES			
Dividend paid	21	**(1,208)**	(3,567)
Interest-bearing loans and borrowings	22	**2,488,998**	2,004,542
Repayment of interest bearing loans and borrowings	22	**(1,672,470)**	(808,620)
Proceeds from issuance of convertible notes	23	**1,836,500**	-
Proceeds on sale of treasury shares		**769**	-
Funds invested by non-controlling interest, net		**3,698**	17,211
Payment of finance cost		**(397,230)**	(165,684)
Net cash from financing activities		**2,259,057**	1,043,882
NET CASH USED IN CONTINUING OPERATIONS		**(74,741)**	(3,212,872)
DISCONTINUED OPERATIONS			
Net cash used in discontinued operations	9	**-**	(113,043)
DECREASE IN CASH AND CASH EQUIVALENTS		**(74,741)**	(3,325,915)
Net foreign exchange difference		**(11,925)**	10,850
Cash and cash equivalents at 1 January	10	**1,860,158**	5,175,223
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**1,773,492**	1,860,158

The attached notes 1 to 35 form part of these consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

(US $1.00 = AED 3.673)

	Attributable to Owners of the parent								
	Share capital AED'000	*Treasury shares AED'000*	*Employees' performance share program AED'000*	*Reserves AED'000*	*Convertible notes - equity component AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non controlling interest AED'000*	*Total equity AED'000*
Balance at 1 January 2010	**6,091,239**	**(1,113)**	**(1,684)**	**14,711,373**	-	**7,877,501**	**28,677,316**	**201,692**	**28,879,008**
Profit for the year	-	-	-	-	-	2,448,229	2,448,229	28,782	2,477,011
Other comprehensive loss for the year	-	-	-	(31,581)	-	(62,964)	(94,545)	(3,221)	(97,766)
Total comprehensive income/ (loss) for the year	-	-	-	**(31,581)**	-	**2,385,265**	**2,353,684**	**25,561**	**2,379,245**
Transfer to reserves (note 27)	-	-	-	244,823	-	(244,823)	-	-	-
Sale of treasury shares (note 26)	-	1,113	-	(344)	-	-	769	-	769
Convertible notes – equity component (note 23)	-	-	-	-	37,155	-	37,155	-	37,155
Movement in non-controlling interest, net	-	-	-	-	-	-	-	3,854	3,854
Balance at 31 December 2010	**6,091,239**	-	**(1,684)**	**14,924,271**	**37,155**	**10,017,943**	**31,068,924**	**231,107**	**31,300,031**

The attached notes 1 to 35 form part of these consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

(US $1.00 = AED 3.673)

	Attributable to Owners of the parent							
	Share capital AED'000	*Treasury shares AED'000*	*Employees' performance share program AED'000*	*Reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non controlling interest AED'000*	*Total equity AED'000*
Balance at 1 January 2009 (audited)	**6,091,239**	**(1,113)**	**(1,684)**	**14,431,863**	**15,480,448**	**36,000,753**	**561,601**	**36,562,354**
Effect of change in accounting policy	-	-	-	-	(7,894,220)	(7,894,220)	(67,249)	(7,961,469)
Balance at 1 January 2009 (restated)	**6,091,239**	**(1,113)**	**(1,684)**	**14,431,863**	**7,586,228**	**28,106,533**	**494,352**	**28,600,885**
Profit for the year	-	-	-	-	327,315	327,315	(37,939)	289,376
Other comprehensive income for the year	-	-	-	246,778	-	246,778	6,504	253,282
Total comprehensive income/ (loss) for the year	-	-	-	**246,778**	**327,315**	**574,093**	**(31,435)**	**542,658**
Transfer to reserves (note 27)	-	-	-	32,732	(32,732)	-	-	-
Board meetings allowance	-	-	-	-	(3,310)	(3,310)	-	(3,310)
Write down of non-controlling interest of a subsidiary (note 9)	-	-	-	-	-	-	(278,079)	(278,079)
Movement in non-controlling interest, net	-	-	-	-	-	-	16,854	16,854
Balance at 31 December 2009	**6,091,239**	**(1,113)**	**(1,684)**	**14,711,373**	**7,877,501**	**28,677,316**	**201,692**	**28,879,008**

The attached notes 1 to 35 form part of these consolidated financial statements.

1 DOMICILE AND ACTIVITIES

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

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

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

Associated Companies
Associated companies are companies in which the Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted for using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of its associates.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and did not have an impact on the financial position or performance of the Group, as the Group has not entered into any such business combination in the current year.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

Improvements to IFRSs
In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in May 2008
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

Issued in April 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in Note 9.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 3.

IAS 7 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

Issued in April 2009
IFRS 2 Share-based Payment
IAS 1 Presentation of Financial Statements
IAS 17 Leases
IAS 34 Interim Financial Reporting
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedge of a Net Investment in a Foreign Operation

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

Classification of investment properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the entity. The Group has determined that hotels and serviced apartment buildings operated by the Group are to be classified as part of property, plant and equipment rather than investment properties.

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 as follows:

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Lease of investment property
Rental income from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

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

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

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

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

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

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

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Leasehold improvements	2 - 5 years
Sales centers	1 - 5 years
Other buildings	10 - 45 years
Computers and office equipment	2 - 5 years
Plant, machinery and heavy equipment	3 - 20 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 10 years
Leisure, entertainment & other assets	2 - 25 years

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

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

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

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

Investment properties

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

Buildings	10 - 45 years
Fixed furniture and fixtures	10 years
Movable furniture and fixtures	4 years

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Hedge accounting
The Group designates certain hedging instruments, as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the 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 is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the consolidated income statement 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 the consolidated income statement, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the 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 accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the consolidated income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

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

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Convertible notes
Convertible notes are convertible into share capital, at the option of the holder, are accounted for as compound financial instruments. The net proceeds received from the issue of convertible notes are separated into liability and equity components based on the terms of the contract at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible notes. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in equity and is not remeasured. The liability component is carried at amortised cost and therefore increases as the present value of the interest coupon payments and redemption amount increases, with a corresponding charge to finance cost.

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

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

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

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

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

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

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

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The Group has early adopted the first phase of IFRS 9 in the financial year beginning 1 January 2009. As a result of this amendment, the Group has amended its disclosure of financial assets at fair value through other comprehensive income in Note 14.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in the income statement. The adoption of this interpretation will have no effect on the financial statements of the Group.

Issued in May 2010
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3 SEGMENT INFORMATION

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

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

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

Geographic segments:
The Group is currently developing a number of international business opportunities outside the United Arab Emirates that will have a significant impact in future periods.

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

Business segments
The following table represents revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2010 and 2009.

2010:

	Real estate AED'000	*Leasing and related activities AED'000*	*Hospitality AED'000*	*Others AED'000*	*Total AED'000*
Revenue					
Revenue from external customers	**9,269,980**	**1,900,680**	**979,614**	**-**	**12,150,274**
Total revenue	**9,269,980**	**1,900,680**	**979,614**	**-**	**12,150,274**
Results					
Profit for the year before income tax	**2,044,783**	**805,796**	**(59,134)**	**(312,995)**	**2,478,450**
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	**76,562**	**80,693**	**575,358**	**46,179**	**778,792**
Depreciation (property, plant and equipment and investment properties)	**164,755**	**404,274**	**179,828**	**55,759**	**804,616**
Assets and liabilities					
Segment assets	**45,198,751**	**9,795,684**	**4,815,405**	**2,694,488**	**62,504,328**
Segment liabilities	**27,659,051**	**2,808,168**	**621,489**	**115,589**	**31,204,297**

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3 SEGMENT INFORMATION (continued)

Business segments (continued)

2009 (Restated):

	Real estate AED'000	*Leasing and related activities AED'000*	*Hospitality AED'000*	*Others AED'000*	*Total AED'000*
Revenue					
Revenue from external customers	6,236,206	1,509,901	667,155	-	8,413,262
Total revenue	6,236,206	1,509,901	667,155	-	8,413,262
Results					
Profit for the year before income tax	1,903,932	660,169	(14,740)	(521,607)	2,027,754
Other segment information					
Capital expenditure (property, plant and equipment and investment properties)	149,692	625,914	839,409	250,948	1,865,963
Depreciation (property, plant and equipment and investment properties)	98,435	369,577	91,024	76,676	635,712
Assets and liabilities					
Segment assets	45,507,612	10,136,977	4,381,708	4,118,501	64,144,798
Segment liabilities	32,352,400	1,782,574	859,826	270,990	35,265,790

Geographic segments
The following tables represent revenue and profit information and certain asset and liability information regarding geographic segments for the years ended 31 December 2010 and 2009.

2010:

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

3 SEGMENT INFORMATION (continued)

Geographic segments (continued)

2009:

	Domestic AED'000	*International AED'000*	*Total AED'000*
Revenue			
Revenue from external customers	7,775,828	637,434	8,413,262
Total revenue	7,775,828	637,434	8,413,262
Assets			
Segment assets	40,814,181	15,470,013	56,284,194
Investment in associates	2,175,987	5,684,617	7,860,604
Total assets	42,990,168	21,154,630	64,144,798
Other Segment Information			
Capital expenditure (property, plant and equipment and investment properties)	1,716,089	149,874	1,865,963

4 REVENUE AND COST OF REVENUE

	2010 AED'000	*2009 AED'000*
Revenue		
Revenue from property sales:		
Sale of condominiums	**7,561,481**	4,312,397
Sale of villas	**517,271**	1,728,705
Sale of commercial, plots of land and others	**1,191,228**	195,104
Revenue from hospitality	**979,614**	667,155
Rental income from leased properties and related income	**1,900,680**	1,509,901
	12,150,274	8,413,262
Cost of revenue		
Cost of revenue of property sales:		
Cost of condominiums	**5,461,462**	2,802,559
Cost of villas	**324,818**	753,680
Cost of commercial, plots of land and others	**784,931**	41,743
Operating cost of hospitality	**627,699**	447,732
Operating cost of leased properties	**404,620**	268,092
	7,603,530	4,313,806

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2010 AED'000	*2009 AED'000*
Payroll and related expenses	**389,394**	453,536
Sales and marketing expenses	**200,629**	188,844
Depreciation of property, plant and equipment (note 17)	**493,065**	322,200
Depreciation of investment properties (note 18)	**311,551**	313,512
Property management expenses	**148,985**	66,926
Land registration fees	**54,518**	72,498
Provision for doubtful debts/ write off	**116,341**	94,484
Pre-operating expenses	**48,380**	51,737
Other expenses	**265,327**	348,128
	2,028,190	1,911,865

6 FINANCE INCOME

	2010 AED'000	*2009 AED'000*
Finance income on fixed deposits with banks	**65,154**	156,815
Other finance income	**199,853**	198,918
	265,007	355,733

7 DISPOSAL OF SUBSIDIARIES

Disposal of Hamptons Group Limited

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

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

On 16 June 2010, the Group entered into an agreement (the "agreement") to transfer its rights to operate the Hamptons' international operations in UK, Europe and Asia by way of transfer of its shareholding in HGL to Countrywide, a UK's largest estate agency and property services Group, with effect from 1 June 2010 at a consideration of AED 428,066 thousands (GBP 77,572 thousands).

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

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

7 DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Hamptons Group Limited (continued)

The operating results of HGL prior to the disposal were as follows:

	Period from 1 January 2010 to 31 May 2010 AED'000
Other operating income	**126,381**
Selling, general and administrative expenses	**(57,705)**
Other operating expenses	**(60,561)**
Net interest income	**325**
PROFIT BEFORE TAX	**8,440**
Income tax expense	**(437)**
NET PROFIT FOR THE PERIOD	**8,003**

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

	31 May 2010 AED'000
Assets	
Bank balances and cash	**27,960**
Trade receivables	**87,046**
Other receivables, deposits and prepayments	**19,631**
Property, plant and equipment	**48,852**
Goodwill (note 19)	**381,658**
Total assets	**565,147**
Liabilities	
Trade and other payables	**83,649**
Interest-bearing loans and borrowings (note 22)	**31,520**
Foreign exchange translation reserve	**(16,142)**
Non-controlling interest	**(406)**
Total liabilities	**98,621**
Net assets disposed off	**466,526**
Less: sales consideration on disposal of subsidiary	**428,066**
Loss on disposal of subsidiary	**38,460**

Disposal of Raffles Campus Pte Ltd

During the year, the Group has recorded a net loss of AED 14,062 thousands including the write off of goodwill amounting to AED 11,667 thousands upon disposal of 100% shareholding in its subsidiary Raffles Campus Pte. Ltd., owning and managing education business in Singapore, Vietnam and Hong Kong (note 19).

8 INCOME TAX

	2010	2009
	AED'000	AED'000
Income statement:		
Current income tax expense	**(6,416)**	(233)
Deferred income tax	**4,977**	23,774
	(1,439)	23,541
Statement of financial position:		
Balance at 1 January	**14,093**	17,091
Charge for the year	**6,416**	233
Paid during the year	**(3,285)**	(3,231)
Balance at 31 December	**17,224**	14,093

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

	2010	2009
	AED'000	AED'000
The relationship between the tax expense and the accounting profit can be explained as follows:		
Accounting profit before tax	**2,478,450**	265,835
Effect of higher tax rates in other jurisdictions	**(6,416)**	(233)
Effective income tax rate	**0.26%**	0.09%

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

9 DISCONTINUED OPERATIONS

On 19 February 2009, the Group's US subsidiary, WL Homes LLC along with its affiliates, filed Chapter 11 petitions in the US Bankruptcy Court for the District of Delaware. The Chapter 11 process allows reorganisation of the company's debts and the continuation of operations during the reorganisation process. On 5 June 2009 the bankruptcy court had ordered the conversion from reorganisation under Chapter 11 to liquidation under Chapter 7 due to the restructuring plan not being acceptable to unsecured creditors. As a result, the carrying values of the net assets relating to WL Homes LLC were fully written off in 2009.

The results for 2009 from discontinued operations and the carrying value of the net assets written off relating to WL Homes LLC were as follows:

	2009
	AED'000
Revenue	5,637
Cost of revenue	(28,337)
Gross loss for the year	(22,700)
Selling, general and administrative expenses	(45,768)
Net finance cost	(220)
Other income	7,089
Share of results of associated companies (note 16)	(3,544)
Net loss for the year	(65,143)

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At 31 December 2010

9 DISCONTINUED OPERATIONS (continued)

Net assets written off

	2009 *AED'000*
Assets	
Bank balances and cash	94,139
Other receivables, deposits and prepayments	177,370
Development properties (note 13)	3,284,004
Investments in associates	296,382
Property, plant and equipment	7,647
Total assets	3,859,542
Liabilities	
Trade and other payables	177,924
Interest-bearing loans and borrowings (note 22)	1,706,763
Non-controlling interest	278,079
Total liabilities	2,162,766
Net assets written off	(1,696,776)
Net loss from discontinued operations	(1,761,919)
ATTRIBUTABLE TO:	
Owners of the parent	(1,762,655)
Non-controlling interest	736
	(1,761,919)
Earnings per share attributable to owners:	
- basic and diluted earnings per share	AED (0.29)

The statement of cash flows of the discontinued operations is as follows:

	2009 *AED'000*
Cash used in operating activities	(117,946)
Cash from investing activities	43,482
Cash used in financing activities	(38,579)
Net cash used in discontinued operations	(113,043)

10 BANK BALANCES AND CASH

	2010 *AED'000*	*2009* *AED'000*
Cash in hand	**6,958**	7,508
Current and call deposit accounts	**743,997**	722,458
Fixed deposits maturing within three months	**1,022,537**	1,130,192
Cash and cash equivalents	**1,773,492**	1,860,158
Deposits under lien (note 22 and 29)	**438,928**	387,557
Fixed deposits maturing after three months	**2,829,281**	19,120
	5,041,701	2,266,835
Bank balances and cash located:		
Within UAE	**4,310,859**	1,777,815
Outside UAE	**730,842**	489,020
	5,041,701	2,266,835
Bank balances and cash denominated in following currencies:		
United Arab Dirham (AED)	**4,310,859**	1,777,815
United States Dollar (USD)	**284,844**	42,398
Egyptian Pound (EGP)	**282,581**	251,014
Moroccan Dirham (MAD)	**37,081**	7,850
Other currencies	**126,336**	187,758
	5,041,701	2,266,835

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

Fixed deposits having a maturity after three months earn interest at rates between 2.5% and 4.7% per annum (2009: between 1% and 5% per annum).

11 TRADE RECEIVABLES

	2010 *AED'000*	*2009* *AED'000*
Amounts receivable within 12 months, net	**711,336**	749,563
Amounts receivable after 12 months, net	**190,686**	231,791
	902,022	981,354

Trade receivables include AED 157,953 thousands (2009: AED 414,162 thousands) relating to sale of properties where the amounts are payable in installments and these installments are accrued but not yet due under the agreed credit terms.

The above trade receivables are net of AED 84,814 thousands (2009: AED 58,539 thousands) relating to provision for doubtful debts.

11 TRADE RECEIVABLES (continued)

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

	2010	*2009*
	AED'000	*AED'000*
Balance at 1 January	**58,539**	-
Provision made during the year	**36,675**	58,539
Reversal of provision on sale of subsidiary	**(3,221)**	-
Utilisation of provision during the year	**(7,179)**	-
Balance at 31 December	**84,814**	58,539

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

			Past due but not impaired			
	Total	*Neither past due nor impaired*	*Less than 30 days*	*Between 30 to 60 days*	*Between 60 to 90 days*	*More than 90 days*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2010	**902,022**	**420,121**	**101,063**	**34,917**	**88,821**	**257,100**
2009	981,354	480,114	186,390	66,826	61,692	186,332

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010	*2009*
	AED'000	*AED'000*
Advances to contractors and others	**668,477**	1,029,460
Advances for acquisition of leasehold interests	**1,234,612**	1,234,612
Prepayments	**99,793**	114,930
Receivables from service companies	**111,087**	137,001
Deposits for acquisition of land and subsidiary	**78,088**	89,215
Value added tax recoverable	**193,816**	164,419
Accrued interest and other income	**10,527**	33,549
Recoverable from non-controlling interest	**52,914**	14,414
Other deposits and receivables	**405,373**	393,697
	2,854,687	3,211,297

13 DEVELOPMENT PROPERTIES

	2010 *AED'000*	*2009* *AED'000*
Balance at 1 January	**31,075,718**	26,799,447
Add: cost incurred during the year	**3,618,283**	6,726,854
Add: transfer from investment properties (note 18)	-	4,520,750
Less: cost transferred to cost of revenue during the year	**(6,571,211)**	(3,626,319)
Less: cost transferred to property, plant and equipment (note 17)	**(1,609,931)**	-
Less: impairment of development properties (refer note below)	**(14,780)**	(61,010)
Less: write off of development properties	**(5,593)**	-
Less: write down of development properties relating to discontinued operations (note 9)	-	(3,284,004)
Balance at 31 December	**26,492,486**	31,075,718
Development properties located:		
Within UAE	**14,932,870**	20,440,293
Outside UAE	**11,559,616**	10,635,425
	26,492,486	31,075,718

Management of the Group has assessed its development properties for impairment as at 31 December 2010. Based on the review, the Group has provided an impairment loss of AED 14,780 thousands (2009: AED 61,010 thousands) relating to excess of carrying value over the realisable value of certain international development properties.

The fair value of the development properties is determined by the Group based on valuations carried out by independent valuers. The fair value of the development properties is determined by reference to the discounted net cash flow, which depict the residual value of the group in development properties net of amount collected from sales and the cost incurred to date. Accordingly, the fair value of development properties is arrived at AED 40,976,218 thousands (2009: AED 35,231,714 thousands).

For the purpose of comparison of fair value to the carrying value of development properties, which comprise the cost incurred to date for the projects under construction and unsold inventory, the realised value from sale of the properties under construction is added to the above stated fair value.

The fair value of the development properties, including the realised value from sale of properties under construction of AED 4,566,478 thousands (2009: AED 15,323,922 thousands), is AED 45,542,696 thousands (2009: AED 50,555,636 thousands) compared to the carrying value of AED 26,492,486 thousands (2009: AED 31,075,718 thousands).

14 SECURITIES

	2010 *AED'000*	*2009* *AED'000*
Financial assets at fair value through other comprehensive income	**694,183**	936,661
Securities located:		
Within UAE	**653,418**	906,042
Outside UAE	**40,765**	30,619
	694,183	936,661

14 SECURITIES (continued)

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

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
2010	**694,183**	**93,716**	**478,765**	**121,702**
2009 (Restated)	936,661	107,270	506,664	322,727

Level 1: are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3: Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

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

	2010 AED'000	*2009 AED'000*
Purchase/ fair value at initial recognition	**432,227**	432,227
Total loss recorded in other comprehensive income	**(310,525)**	(109,500)
Balance at 31 December	**121,702**	322,727

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

15 LOANS TO ASSOCIATES

	2010	*2009*
	AED'000	*AED'000*
Amlak Finance PJSC (i)	**711,982**	875,580
Emaar MGF Land Limited ("EMGF") and their related parties (ii) & (iii)	**1,320,400**	460,131
Golden Ace Pte Ltd (iv) & (v)	**145,758**	608,286
Amelkis Resorts SA	**33,234**	33,234
Other associates	**20,350**	27,915
	2,231,724	2,005,146

(i) The amount owed by Amlak Finance PJSC ("Amlak") is unsecured and earns an average return ranging from 4% to 4.5% per annum (2009: average return ranging from 3% to 4.5% per annum).

The above loan includes AED 469,894 thousands (2009: AED 634,025 thousands) relating to a credit facility extended to Amlak in the normal course of business for settlement of installment payments relating to sale of properties, where customers have availed of a financing facility from Amlak. An amount of AED 214,429 thousands was received from Amlak during the year ended 31 December 2010 (31 December 2009: AED 196,615 thousands). The Group's management believes that the loan due from Amlak is fully recoverable (also refer note 16 (iv)).

(ii) The amounts owed by EMGF and their related parties are unsecured and earns a compound return of 4.4% to 15% per annum (2009: 15% per annum).

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

EMGF is in the process of entering the capital market in India through an Initial Public Offering (IPO). The Group has made the above settlement in the interim and this amount is repayable to the Group by EMGF through the proceeds of its forthcoming IPO. The other promoter group of EMGF has indemnified to the extent 50% for any non recovery of such amount advanced by the Group resulting from the transaction and the Group currently holds certain shares of the other promoter group held in EMGF as a security for such indemnification. The Group also gains rights to increase its shareholding in EMGF, if the amount paid relating to aforementioned FCDs is not repaid within a reasonable period of time.

(iv) The amount owed by Golden Ace Pte Ltd is unsecured and earns a return ranging from 6.36% to 9.7% per annum (2009: 5.03% to 11.20% per annum).

(v) On 23 June 2009, the Company through its subsidiary, Emirates Property Holdings Limited (EPHL), has acquired the debt provided to Golden Ace Pte Ltd by its lenders with principal outstanding amounting to USD 122,587 thousands (AED 450,262 thousands). At the time of acquisition of the loan, part of the related collateral for the loan was represented by 61% of Golden Ace Pte Ltd's investment in RSH Limited. During the year, the aforementioned collateral has been disposed and EPHL received USD 136,610 thousands (AED 501,769 thousands) as proceeds, which were adjusted against repayment of the loan and related interest.

16 INVESTMENTS IN ASSOCIATES

	2010	*2009*
	AED'000	*AED'000*
Carrying value of investment in:		
Emaar MGF Land Limited (i) & (ii)	**3,098,242**	2,901,579
Emaar The Economic City (Saudi Joint Stock Company) – quoted (iii)	**2,163,689**	2,348,919
Amlak Finance PJSC – quoted (iv) & (v)	**824,010**	944,418
Dubai Banking Group PJSC (vi)	**176,558**	429,653
Emaar Bawadi LLC	**383,494**	359,398
Turner International Middle East Ltd	**282,291**	225,364
Emaar Industries and Investment (Pvt) JSC	**185,096**	198,384
Dead Sea Company for Tourist and Real Estate Investment	**136,907**	137,502
Emrill Services LLC	**17,431**	14,601
Other associates	**324,370**	300,786
	7,592,088	7,860,604

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

Since the IPO had not occurred at 30 June 2010, the Group paid an amount of USD 55,832 thousands (AED 205,072 thousands) to buy back all the shares initially purchased by the investor in 2006 together with the associated costs in accordance with the agreement. Subsequently, the other promoter group transferred additional shares out of its shareholding in the associated company to the Group equivalent to the 50% of the above amount paid by the Group based on the estimated share value of EMGF for the IPO purpose.

(ii) On 30 September 2010, EMGF had filed its Draft Red Herring Prospectus ("DRHP") with Securities and Exchange Board of India ("SEBI") to enter the capital market with an Initial Public Offering ("IPO") of AED 1,283 million (Indian Rupees 16,000 million).

(iii) The market value of the shares held in Emaar The Economic City ("EEC") (quoted on the Saudi Stock Exchange –Tadawul) as at 31 December 2010 was AED 1,809,059 thousands (2009: AED 2,487,775 thousands).

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

(v) The auditors have issued a qualified conclusion on the consolidated financial statements of Amlak as of 30 September 2010 with respect to valuation of investment properties and advances for investment properties amounting to AED 3,160,201 thousands and AED 779,315 thousands respectively. Management of Amlak believe that property prices have generally declined since these assets were acquired but are unable to quantify the amount of decline in view of the limited number of transactions currently taking place in the market and accordingly continued to carry such assets at their acquisition cost.

(vi) During the year, the Group has provided an impairment of AED 176,558 thousands based on the estimate of the carrying value of its investment in Dubai Banking Group ("DBG"). This estimate of the impairment is based on the management estimates of the provision required in respect of the loan and advances that may be required to be made by DBG for the year ended 31 December 2010.

16 INVESTMENTS IN ASSOCIATES (continued)

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

	Country of incorporation	*Ownership* *2010*	*2009*
Emaar MGF Land Limited	India	**45.33%**	43.86%
Emaar The Economic City (Saudi Joint Stock Company)	KSA	**30.59%**	30.59%
Amlak Finance PJSC	UAE	**48.08%**	48.08%
Turner International Middle East Ltd	UAE	**50.00%**	50.00%
Dubai Banking Group PJSC	UAE	**30.00%**	30.00%
Emaar Industries and Investments (Pvt) JSC	UAE	**40.00%**	40.00%
Emrill Services LLC	UAE	**33.33%**	33.33%
Prestige Resorts SA	Morocco	**50.00%**	50.00%
Amelkis Resorts SA	Morocco	**50.00%**	50.00%
Orientis Invest	Morocco	**50.00%**	50.00%
Golden Ace Pte Ltd	Singapore	**30.00%**	30.00%
Emaar Bawadi LLC	UAE	**50.00%**	50.00%
Dead Sea Company for Tourist and Real Estate Investment	Jordan	**29.33%**	29.33%

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

	2010 AED'000	*2009 AED'000*
Group's share in assets and liabilities of its associates:		
Current assets	**8,642,708**	17,797,314
Non-current assets	**13,912,407**	5,850,908
Total assets	**22,555,115**	23,648,222
Current liabilities	**14,862,578**	14,140,088
Non-current liabilities	**1,593,505**	3,242,446
Total liabilities	**16,456,083**	17,382,534
Net assets	**6,099,032**	6,265,688
Goodwill	**1,670,328**	1,594,916
Impairment of investment in associates	**(177,272)**	-
	7,592,088	7,860,604
Share of associates' revenues and results:		
Revenues	**1,021,112**	1,795,209
Results:		
Continuing operations	**(430,484)**	(534,469)
Discontinued operation (refer note 9)	-	(3,544)
	(430,484)	(538,013)

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17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements AED'000	*Land and buildings AED'000*	*Computers and office equipment AED'000*	*Plant, machinery and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Leisure, entertainment and other assets AED'000*	*Capital work-in- progress AED'000*	*Total AED'000*
Cost:									
At 1 January 2010	**43,006**	**3,484,866**	**233,956**	**725,997**	**39,683**	**383,835**	**864,874**	**1,829,866**	**7,606,083**
Additions	9,589	74,249	51,768	96,170	7,214	162,957	81,113	286,917	769,977
Disposals	(4,163)	(11,018)	(10,892)	-	(404)	(10,687)	(8,174)	(9,071)	(54,409)
Transfers	-	1,082,506	(60,295)	5,340	-	56,942	(156)	(1,084,337)	-
Transferred from development properties (note 13)	-	1,064,389	-	-	-	-	7,056	538,486	1,609,931
Transferred (to)/ from investment properties (note 18)	-	(60,272)	122	-	-	7,500	2,992	88	(49,570)
Foreign currency translation differences	(2,413)	(7,464)	4,077	1,885	(197)	(940)	(11,383)	(17,323)	(33,758)
Disposal of subsidiary	(32,819)	(28,698)	(16,662)	-	(105)	(22,285)	(158)	-	(100,727)
At 31 December 2010	**13,200**	**5,598,558**	**202,074**	**829,392**	**46,191**	**577,322**	**936,164**	**1,544,626**	**9,747,527**
Accumulated depreciation/impairment:									
At 1 January 2010	**25,391**	**282,190**	**141,185**	**125,010**	**21,401**	**143,601**	**45,600**	**-**	**784,378**
Transfers	-	-	(33,861)	-	-	33,861	-	-	-
Depreciation charge for the year	7,343	207,918	50,871	64,527	8,783	79,258	74,365	-	493,065
Disposals	(2,884)	(1,095)	(6,502)	-	(404)	(5,104)	(5,447)	-	(21,436)
Transferred to investment properties (note 18)	-	(3,895)	-	-	-	-	-	-	(3,895)
Foreign currency translation differences	(2,242)	(701)	1,495	866	(245)	(937)	(5,130)	-	(6,894)
Disposals of subsidiary	(20,365)	(2,522)	(3,030)	-	(105)	(10,959)	-	-	(36,981)
At 31 December 2010	**7,243**	**481,895**	**150,158**	**190,403**	**29,430**	**239,720**	**109,388**	**-**	**1,208,237**
Net carrying amount:									
At 31 December 2010	**5,957**	**5,116,663**	**51,916**	**638,989**	**16,761**	**337,602**	**826,776**	**1,544,626**	**8,539,290**

During the year ended 31 December 2010, an amount of AED 976 thousands (2009: AED 18,607 thousands) was capitalised as cost of borrowings for the construction of these assets.

At 31 December 2010, the fair value of revenue generating assets is AED 6,787,376 thousands (2009: AED 5,163,394 thousands) compared with a carrying value of AED 5,668,587 thousands (2009: AED 4,157,918 thousands).

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17 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements AED'000	*Land and buildings AED'000*	*Computers and office equipment AED'000*	*Plant, machinery and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Leisure, entertainment and other assets AED'000*	*Capital work-in- progress AED'000*	*Total AED'000*
Cost:									
At 1 January 2009	**52,662**	**2,167,033**	**171,633**	**453,712**	**25,760**	**379,837**	**274,143**	**2,368,396**	**5,893,176**
Additions	9,585	113,030	64,360	186,684	15,062	1,469	138,791	1,204,829	1,733,810
Transfers	-	1,201,005	1,008	83,044	-	11,940	453,563	(1,750,560)	-
Disposals	(4,035)	(2,711)	(560)	(3)	(1,245)	(2,767)	(703)	-	(12,024)
Impairment/ write off	(21,999)	-	(6,293)	-	-	(8,557)	-	-	(36,849)
Foreign currency translation differences	6,793	6,509	3,808	2,560	106	1,913	(920)	7,201	27,970
At 31 December 2009	**43,006**	**3,484,866**	**233,956**	**725,997**	**39,683**	**383,835**	**864,874**	**1,829,866**	**7,606,083**
Accumulated depreciation/impairment:									
At 1 January 2009	**20,814**	**186,977**	**72,989**	**71,856**	**10,855**	**108,811**	**6,678**	-	**478,980**
Depreciation charge for the year	12,258	94,219	74,713	51,928	11,102	38,774	39,661	-	322,655
Disposals	(2,006)	(118)	(287)	-	(725)	(897)	(538)	-	(4,571)
Impairment/ write off	(8,974)	-	(8,933)	-	-	(5,518)	-	-	(23,425)
Foreign currency translation differences	3,299	1,112	2,703	1,226	169	2,431	(201)	-	10,739
At 31 December 2009	**25,391**	**282,190**	**141,185**	**125,010**	**21,401**	**143,601**	**45,600**	-	**784,378**
Net carrying amount:									
At 31 December 2009	**17,615**	**3,202,676**	**92,771**	**600,987**	**18,282**	**240,234**	**819,274**	**1,829,866**	**6,821,705**

17 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year is allocated as follows:

	2010 AED'000	*2009 AED'000*
Continuing operations	**493,065**	322,200
Discontinued operation	-	455
	493,065	322,655

18 INVESTMENT PROPERTIES

	Land AED'000	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Total AED'000*
Cost:				
At 1 January 2010	**28,097**	**8,953,815**	**3,606**	**8,985,518**
Additions	-	8,815	-	8,815
Disposals	-	(197,769)	-	(197,769)
Transferred from property, plant and equipments (note 17)	-	49,570	-	49,570
At 31 December 2010	**28,097**	**8,814,431**	**3,606**	**8,846,134**
Accumulated depreciation:				
At 1 January 2010	-	**436,030**	**3,401**	**439,431**
Depreciation charge for the year	-	311,456	95	311,551
Disposals	-	(18,824)	-	(18,824)
Transferred from property, plant and equipments (note 17)	-	3,895	-	3,895
At 31 December 2010	-	**732,557**	**3,496**	**736,053**
Net carrying amount:				
At 31 December 2010	**28,097**	**8,081,874**	**110**	**8,110,081**

	Land AED'000	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Total AED'000*
Cost:				
At 1st January 2009	4,548,847	8,821,662	3,606	13,374,115
Additions	-	132,153	-	132,153
Transfers to development properties (note 13)	(4,520,750)	-	-	(4,520,750)
At 31 December 2009	28,097	8,953,815	3,606	8,985,518
Accumulated depreciation:				
At 1 January 2009	-	122,613	3,306	125,919
Depreciation charge for the year	-	313,417	95	313,512
At 31 December 2009	-	436,030	3,401	439,431
Net carrying amount:				
At 31 December 2009	28,097	8,517,785	205	8,546,087

18 INVESTMENT PROPERTIES (continued)

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

The fair value of investment properties is AED 13,265,224 thousands (2009: AED 14,981,486 thousands) compared with a carrying value of AED 8,110,081 thousands (2009: AED 8,546,087 thousands).

Investment properties represent Group's interest in land and buildings situated within the United Arab Emirates.

19 GOODWILL

	2010	*2009*
	AED'000	*AED'000*
Balance at 1 January	**439,391**	439,391
Less: disposal/ write off (note 7)	**(393,325)**	-
Balance at 31 December	**46,066**	439,391

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

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

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

Growth rate estimates – Management prepares a five year budget based on their expectations of future results, thereafter a growth rate of 0.5% to 1% is assumed

On 16 June 2010, the Group entered into an agreement (the "agreement") to transfer its rights to operate the Hamptons' international operations in UK, Europe and Asia by way of transfer of its shareholding in HGL to Countrywide, a UK's largest estate agency and property services Group, with effect from 1 June 2010. Accordingly, goodwill allocated to Hamptons' international operation of AED 381,658 thousands was disposed off (note 7).

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

20 ADVANCES FROM CUSTOMERS

	2010 *AED'000*	*2009* *AED'000*
Balance at 1 January	**15,888,064**	18,109,424
Add: amount collected during the year	**5,171,990**	5,530,384
Less: revenue recognised during the year	**(11,170,660)**	(7,751,744)
Balance at 31 December	**9,889,394**	15,888,064

21 TRADE AND OTHER PAYABLES

	2010 *AED'000*	*2009* *AED'000*
Project contract cost accruals and provisions	**5,248,352**	5,485,910
Other payables and accruals	**1,766,977**	1,852,346
Trade payables	**880,816**	1,214,591
Payable to non-controlling interest	**949,538**	901,185
Dividends payable	**76,049**	77,257
Income tax payable (note 8)	**17,224**	14,093
	8,938,956	9,545,382

22 INTEREST-BEARING LOANS AND BORROWINGS

	2010 *AED'000*	*2009* *AED'000*
Balance at 1 January	**8,625,104**	9,174,165
Borrowings drawn down during the year	**2,488,998**	2,004,542
Borrowings repaid during the year	**(1,672,470)**	(808,620)
Net borrowings during the year relating to discontinued operations	-	(38,220)
Write down of borrowing relating to discontinued operations (note 9)	-	(1,706,763)
Borrowings relating to subsidiaries disposed (note 7)	**(31,520)**	**-**
Balance at 31 December	**9,410,112**	8,625,104
Maturing within 12 months	**4,454,598**	4,499,761
Maturing after 12 months	**4,955,514**	4,125,343
Balance at 31 December	**9,410,112**	8,625,104

The above represent balances due:

Within UAE	**5,291,650**	4,726,826
Outside UAE	**4,118,462**	3,898,278
	9,410,112	8,625,104

22 INTEREST-BEARING LOANS AND BORROWINGS (continued)

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

Secured

- Indian Rupees (INR) 1,158,000 thousands (AED 93,867 thousands) loan from financial institutions, secured by way of first charge on certain immovable properties and receivables in India, carries interest at bench mark rate plus 3.33% per annum. This loan is payable in quarterly instalments and fully repayable by 2016.

- Canadian Dollar (CAD) 19,890 thousands (AED 73,074 thousands) loan from financial institution, secured against real estate owned by the Group in Canada, carries interest at prime rate plus 3.75% per annum and fully repayable in 2011.

- CAD 6,019 thousands (AED 22,113 thousands) loan from financial institution, secured against real estate owned by the Group in Canada, carries interest at 9.50% per annum and fully repayable in 2011.

- USD 303,000 thousands (AED 1,112,919 thousands) loan from commercial bank, secured against real estate owned by Group in Turkey, carries interest at USD LIBOR plus 4% per annum and is repayable in 2011. The bank issuing stand by letter of credit facility has lien on certain cash collateral amounting to AED 367,300 thousands (note 10).

- USD 50,000 thousands (AED 183,650 thousands) loan from commercial bank, secured against real estate owned by Group in Turkey, carries interest at 4.10% per annum and is repayable in 2011.

- USD 50,000 thousands (AED 183,650 thousands) loan from commercial bank, secured against real estate owned by Group in Turkey, carries interest at USD LIBOR plus 3.95% per annum and is repayable in 2011.

- USD 60,000 thousands (AED 220,380 thousands) loan from commercial bank, secured against certain real estate owned by Group in Turkey and a bank guarantee, carries interest at 3.20% per annum and is repayable in 2011.

- USD 60,000 thousands (AED 220,380 thousands) loan from commercial bank, secured against certain real estate owned by Group in Turkey and a bank guarantee, carries interest at 3.90% per annum and is repayable in 2011.

- USD 17,896 thousands (AED 65,730 thousands) loan from commercial bank, secured against certain real estate owned by Group in United Arab Emirates (UAE), carries interest at USD LIBOR plus 1.85% per annum and is repayable in 2020.

- USD 16,032 thousands (AED 58,886 thousands) of funding facility from financial institutions, secured against real estate owned by Group in United States of America (USA), carries interest rate at USD LIBOR plus 7.50% per annum.

- USD 300,000 thousands (AED 1,101,900 thousands) loan from commercial bank, secured against certain real estate owned by Group in United Arab Emirates (UAE), carries interest rate at USD LIBOR plus 4.75% per annum and fully repayable in 2013.

- USD 38,878 thousands (AED 142,800 thousands) loan from commercial bank, secured against certain assets owned by Group in United Arab Emirates (UAE), carries interest rate at USD LIBOR plus 4.50% per annum and fully repayable by 2012.

- Pakistani Rupee (PKR) 778,340 thousands (AED 33,539 thousands) loan from commercial bank, secured against receivables from projects in Pakistan, carries interest rate at KIBOR plus 2% per annum and is fully repayable in 2011. The bank has lien on certain cash collateral amounting to AED 7,350 thousands (note 10).

- USD 39,993 thousands (AED 146,893 thousands) long term loan from commercial bank, secured against certain assets in Lebanon and carries interest rate at benchmark rate plus 1% per annum.

22 INTEREST-BEARING LOANS AND BORROWINGS (continued)

Unsecured

- AED 200,000 thousands of short term loan from commercial bank carries interest rate at FDR plus 1% per annum and fully repayable by 2011.

- AED 89,900 thousands of short term loan from commercial bank carries interest rate at 6% per annum and fully repayable in 2011.

- AED 18,319 thousands loan from commercial bank carries interest rate at 8.00% per annum.

- USD 80,000 thousands (AED 293,840 thousands) loan from financial institutions in the USA, carries interest at US$ LIBOR plus 3.75% per annum and fully repayable by 2011.

- PKR 2,070,652 thousands (AED 89,223 thousands) loan from commercial banks, bearing interest at KIBOR plus 2.20% to 2.25% per annum and fully repayable in 2011.

- PKR 749,801 thousands (AED 32,309 thousands) loan from commercial banks, bearing interest at KIBOR plus 2.25% per annum and fully repayable in 2011.

- PKR 1,494,662 thousands (AED 64,405 thousands) loan from commercial banks, bearing interest at KIBOR plus 2.25% per annum and fully repayable by 2011.

- PKR 768,569 thousands (AED 33,118 thousands) loan from commercial banks, bearing interest at KIBOR plus 2.50% per annum and fully repayable by 2011.

- USD 1,000,000 thousands (AED 3,673,000 thousands) of Musharaka Islamic Syndicated facility. This facility is repayable in 2012 with an option of early repayment without penalty to the Group and bears a profit rate of LIBOR plus 2% per annum.

- Egyptian Pound (EGP) 922,091 thousands (AED 587,833 thousands) of funding facilities from commercial banks, carries interest at rates at 11% to 13.5% per annum.

- USD 20,000 thousands (AED 73,460 thousands) loan from commercial bank, carries interest at USD LIBOR plus 3.8% per annum and is repayable in 2011.

- Saudi Riyal (SAR) 122,000 thousands (AED 119,560 thousands) of funding facility from commercial bank carrying interest at SAIBOR plus 2.50% per annum and repayable in instalments from March 2011 to 2012.

- Moroccan Dirham (MAD) 80,000 thousands (AED 35,216 thousands) of short term loan from commercial bank carrying interest at 52 weeks treasury bond rate plus 1.15% per annum and repayable by 2011.

- USD 119,833 thousands (AED 440,148 thousands) of funding facility from commercial banks in Egypt carries interest rate at 2.9% to 6.8% per annum and is repayable in 2011.

23 CONVERTIBLE NOTES

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

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

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

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

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

	2010 ***AED'000***
Proceeds from issuance of the Notes	**1,836,500**
Less: Notes issuance cost	**(41,338)**
Net proceeds from issuance of the Notes	**1,795,162**
Equity component on initial recognition	**(37,155)**
Liability component on initial recognition	**1,758,007**
Interest accrued up to 31 December	**424**
Liability component as at 31 December	**1,758,431**

24 RETENTIONS PAYABLE

	2010 ***AED'000***	*2009* *AED'000*
Retentions payable within 12 months	**819,836**	798,900
Retentions payable after 12 months	**329,068**	361,406
	1,148,904	1,160,306

25 EMPLOYEE BENEFITS

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

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

	2010		*2009*	
	No.	**WAEP**	No.	WAEP
Outstanding at 1 January	**59,743**	AED 1.00	59,743	AED 1.00
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	**59,743**	AED 1.00	59,743	AED 1.00

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

The expense recognised during the year in respect of the programme were AED nil (2009: AED nil).

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

	2010 ***AED'000***	*2009* *AED'000*
Balance at 1 January	**46,934**	37,092
Provided during the year	**20,408**	21,293
Paid during the year	**(8,842)**	(11,451)
Balance at 31 December	**58,500**	46,934

An actuarial valuation has not been performed as the net impact of discount rates and future increases in staff salaries will not result in the financial statements to be materially misstated.

26 SHARE CAPITAL

	2010 ***AED'000***	*2009* *AED'000*
Authorised capital – 6,096,325,000 shares of AED 1 each (31 December 2009: 6,096,325,000 shares of AED 1 each)	**6,096,325**	6,096,325
Issued and fully paid-up – 6,091,238,503 shares of AED 1 each (31 December 2009 - 6,091,238,503 shares of AED 1 each)	**6,091,239**	6,091,239

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

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27 RESERVES

	Statutory reserve AED'000	*Capital reserve AED'000*	*General reserves AED'000*	*Hedging reserves AED'000*	*Net unrealised gains/ (losses) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*
Balance at 1 January 2009	**13,808,707**	**4,004**	**2,457,645**	**546**	**(1,439,282)**	**(399,757)**	**14,431,863**
(Decrease)/ increase in unrealised reserve	-	-	-	(328)	43,200	-	42,872
Increase in foreign currency translation reserve	-	-	-	-	-	203,906	203,906
Net income and expense recognised directly in equity	-	-	-	(328)	43,200	203,906	246,778
Net movement during the year	-	-	32,732	-	-	-	32,732
Balance at 1 January 2010	**13,808,707**	**4,004**	**2,490,377**	**218**	**(1,396,082)**	**(195,851)**	**14,711,373**
Decrease in unrealised reserve	-	-	-	(9,173)	(208,733)	-	(217,906)
Increase in foreign currency translation reserve	-	-	-	-	-	186,325	186,325
Net income and expense recognised directly in equity	-	-	-	(9,173)	(208,733)	186,325	(31,581)
Sale of treasury shares (note 26)	-	(344)	-	-	-	-	(344)
Net movement during the year	-	-	244,823	-	-	-	244,823
Balance at 31 December 2010	**13,808,707**	**3,660**	**2,735,200**	**(8,955)**	**(1,604,815)**	**(9,526)**	**14,924,271**

27 RESERVES (continued)

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

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

The statutory reserve includes:

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

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

Net unrealised gains/ (losses) reserve:

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

Foreign currency translation reserve:

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

28 EARNINGS PER SHARE

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

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

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

	2010 ***AED'000***	*2009* *AED'000*
Earnings:		
Net profit attributable to the owners of the parent from continuing operations	**2,448,229**	2,089,970
Loss attributable to the owners of the parent from a discontinued operation	-	(1,762,655)
Net profit attributable to the owners of the parent for basic earnings	**2,448,229**	327,315
Interest on convertible notes	**5,016**	**-**
Net profit attributable to the owners of the parent adjusted for the effect of dilution	**2,453,245**	327,315

28 EARNINGS PER SHARE (continued)

Shares in Thousands	***2010***	*2009*
Weighted average number of ordinary shares for basic earnings per share*	**6,091,139**	6,091,039
Effect of dilution:		
Convertible notes	**12,711**	-
Weighted average number of ordinary shares adjusted for the effect of dilution*	**6,103,850**	6,091,039

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

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

To calculate earnings per share amounts for the discontinued operation, the weighted average number of ordinary shares and profit/(loss) for both basic and diluted amounts is as per the table above.

	2010	*2009*
Earnings per share:		
Total operations		
- Basic and diluted earnings per share	**AED 0.40**	AED 0.05
Continuing operations		
- Basic and diluted earnings per share	**AED 0.40**	AED 0.34
Discontinued operations		
- Basic and diluted earnings per share	-	AED (0.29)

29 GUARANTEES AND CONTINGENCIES

Guarantees
The Group has the following guarantees outstanding as at 31 December 2010:

1. Loans taken by an associated company from commercial banks amounting to AED 107,186 thousands (2009: AED 110,694 thousands) are guaranteed by the Group.
2. Loans taken by an associated company from commercial banks amounting to AED 654,145 thousands (2009: AED 1,414,839 thousands) are guaranteed by the Group. The majority shareholder in the associate has provided the Group a counter guarantee and indemnity up to its share of liability for any claim made against the Group arising from the guarantee. A cash collateral amounting to AED 64,278 thousands (2009: nil) has been given to a bank against loan provided to a related party of an associated company (note 10).
3. Loans taken by an associated company from commercial banks amounting to AED 110,190 thousands (2009: AED nil) are guaranteed by the Group.
4. The Group has issued a financial guarantee of AED 7,314 thousands (2009: AED 6,839 thousands) as a security for the letter of guarantee issued by a commercial bank for the performance of its contractual obligations.
5. The Group has provided a financial guarantee of AED 5,000 thousands (2009: AED 5,000 thousands) as a security for the letter of guarantee issued by a commercial bank for issuance of trade license from Government of Dubai.
6. The Group has provided a financial guarantee of AED 1,847 thousands (2009: AED 1,847 thousands) as a security to Dubai Customs for importing goods.
7. The Group has provided a corporate guarantee of AED 110,190 thousands (2009: AED 110,190 thousands) to a commercial bank as a security for the guarantees issued by the bank on behalf of the associated company of the Group.

29 GUARANTEES AND CONTINGENCIES (continued)

Legal claim

The Company was involved in arbitration proceedings with Jadawel International Company (the "Claimant") with regard to a conditional joint venture agreement in the Kingdom of Saudi Arabia. The conditions of such agreement never materialised. Arbitrators have given an award in favour of the Company in which all claims by the claimant were rejected by the arbitrators, who declared the joint venture agreement to be ineffective, unenforceable and with no legal effect on the Company. The claimant has filed an appeal against the award before the Board of Grievances (BOG). The BOG unexpectedly reversed the arbitration award and issued a ruling directing the Company to pay USD 228,000 thousands (AED 837,444 thousands) to the Claimant and to deliver share certificates representing 18,610,000 shares in the Company (after share split) along with the profits realised by these shares from the date of signing of the joint venture agreement, being 28 December 2003. The Company is also directed by the said ruling to pay the arbitrator fees amounting to SAR 45,000 thousands (AED 44,074 thousands). All other items of relief claimed by the parties are dismissed by the BOG. The Company has filed an appeal against the ruling of the BOG on 26 August 2009 to the Appellant Chamber for commercial cases requesting revocation of the BOG judgement and ratification of the Arbitration Award.

On 26 December 2010, the court of appeal of the Board of Grievances in Riyadh issued a judgment confirming the terms of a settlement agreement entered into between Company and the Claimant in respect of their dispute. The main terms of the settlement, which are also incorporated in the court judgment, are as follows:

1. All consequences of the conditional agreement are revoked and the parties will be reinstated to their respective positions prior to this agreement.
2. The conditional agreement will have no legal effect.
3. The parties have withdrawn all their claims against each other in respect of this matter.
4. The parties will not make any claim against each other in the future in respect of this matter.

The Dispute has now been resolved amicably between the Claimant and the Company with neither party having any claim against the other in respect of the dispute.

Contingent liabilities

On 5 April 2006, the Company entered into an option agreement (the "agreement") with various parties (the "investors"). The agreement provided the right to the investors to require the Company to buy back the shares purchased by the investors in one of the Group's associate companies within 39 months from the date of purchase of the shares.

Subsequently on 29 September 2009, the Company entered into agreements with the investors whereby the Company agreed to use its voting and other rights in the associate to ensure that the associate achieves the listing of its equity shares on or before 31 March 2010 at a price which is not less than the average investment price of the investors. It was also agreed that in case the shares are issued in the IPO at a price lower than the average investment price of the investors, the Company shall be liable to compensate the investor for the difference between the average investment price and the price at which the shares are issued in the IPO.

The IPO could not be concluded within the aforementioned timeframe. Since these shares were initially purchased by the investors at a valuation which is much higher than the current estimate of share value for the purpose of IPO, the Company entered into agreements on 29 September 2010 with the investors for extension of the option agreement till 30 June 2011. As per the terms of the agreement, the Company and other promoter group subsequently transferred certain additional shares to the investors in equal proportions calculated considering the estimated share value for the purpose of IPO and initial investment cost.

30 COMMITMENTS

At 31 December 2010, the Group had commitments of AED 7,308,309 thousands (2009: AED 9,180,026 thousands) including project commitments of AED 7,124,702 thousands (2009: AED 9,074,091 thousands). This represents the value of contracts issued as of 31 December 2010 net of invoices received and accruals made at that date.

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

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

Operating lease commitments – Group as lessee

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

	2010	*2009*
	AED'000	*AED'000*
Within one year	**532,056**	515,555
After one year but not more than five years	**442,210**	309,936
More than five years	**162,839**	-
	1,137,105	825,491

Operating lease commitments – Group as lessor

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

	2010	*2009*
	AED'000	*AED'000*
Within one year	**1,037,010**	1,048,647
After one year but not more than five years	**1,134,739**	1,919,316
More than five years	**353,846**	401,085
	2,525,595	3,369,048

31 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

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

	2010 ***AED'000***	*2009* *AED'000* *(Restated)*
Shareholders:		
Revenue from sale of commercial properties	**295,535**	-
Associates:		
Net interest income on deposits / investments from Dubai Banking Group PJSC	**1,466**	15,411
Islamic finance income from Amlak Finance PJSC	**34,763**	49,830
Interest income earned on loan to Golden Ace Pte Ltd	**39,025**	29,959
Interest income earned on loan to Emaar MGF Land Limited and their related parties	**90,829**	61,233
Directors' and their related parties		
Cancellation of sale of plot of land (refer to note (a) below)	**(351,687)**	-
Other income (refer to note (a) below)	**70,337**	-
Rental income from leased properties and related income	**19,416**	7,824
Islamic finance income from Noor Islamic Bank PJSC	**1,315**	15,087
Other related parties:		
Islamic finance income from Al Salam Bank, Bahrain	**2,207**	4,433
Islamic finance income from Al Salam Bank, Sudan	**-**	1,147

Related party balances

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

	2010 ***AED'000***	*2009* *AED'000* *(Restated)*
Associates:		
Fixed deposits with Dubai Banking Group PJSC	**30,567**	50,000
Directors and their related parties:		
Bank balances and cash with Noor Islamic Bank PJSC, net	**10,209**	24,821
Trade receivables (refer to note (a) below)	-	282,528
Other receivables, deposits and prepayments	**9,051**	101,438
Interest-bearing loans and borrowing from Noor Islamic Bank PJSC	**89,900**	-
Other related parties:		
Securities:		
Investment in Al Salaam Bank, Sudan	**5,746**	7,577
Investment in Al Salaam Bank, Bahrain	**34,902**	41,037
Investment in Al Salaam Bank, Algeria	**20,202**	20,202

31 RELATED PARTY DISCLOSURES (continued)

Related party balances (continued)

a) On 1 June 2008, the Company had entered into a development agreement ("the Agreement") with a company ("the other party") in which one of the Directors of the Company has an interest. As per the terms of the Agreement, the Company recorded a revenue of AED 351,687 thousands from sale of plot ("the plot") to the other party and agreed to share the profit equally with other party from the development of the plot. During the year, the development agreement was cancelled and the amount received as a consideration for the land by the Company was forfeited and recognised as other income.

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

c) During the year, Turner has settled dividend payable to the Company of AED 28,209 thousands other than in cash against its recoverable towards work performed.

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

	2010	*2009*
	AED'000	*AED'000*
Short-term benefits	**115,490**	131,304
Employees' end of service benefits	**8,038**	5,928
	123,528	137,232

At 31 December 2010, the number of key management personnel were 145 (31 December 2009: 193).

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Overview (continued)

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

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, other receivables and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. The Group earns its revenues from a large number of customers spread across different geographical segments. However, geographically 96 percent (2009: 90 percent) of the Group's trade receivables are based in Middle East and North Africa.

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

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

Financial instruments and cash deposits

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

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

Guarantees

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk

Market risk is the risk that changes in market prices, such as currency risk, interest rate risk and equity prices will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by market risk include loans and borrowings, deposits, financial assets at fair value through other comprehensive income and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

It is, and has been throughout years 2010 and 2009 the Group's policy that no trading in derivatives shall be undertaken.

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

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

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

	2010		*2009*	
	Change in basis points	***Sensitivity of interest income/expense AED'000***	*Change in basis points*	*Sensitivity of interest income/expense AED'000*
Financial asset	**± 100**	**9,073**	± 100	2,408
Financial liability	**± 100**	**75,535**	± 100	79,369

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

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. The interest rates on loans to associates are described in note 15. Interest rates on loans from financial institutions are disclosed in note 22.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk (continued)

Exposure to foreign currency risk

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

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

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

	2010		*2009*	
Currency	***Change in currency rate in %***	***Effect on equity AED'000***	*Change in currency rate in %*	*Effect on equity AED'000*
GBP	**±10**	**-**	±10	5,844
INR	**±10**	**348,931**	±10	342,472
Other currencies not pegged to US Dollar	**±10**	**103,096**	±10	90,834

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

Exposure to equity price risk

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

The effect on equity (as a result of a change in the fair value of equity instruments held as fair value through other comprehensive income at 31 December 2010) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2010		*2009*	
	Change in equity price %	***Effect on equity AED'000***	*Change in equity price %*	*Effect on equity AED'000*
Quoted investments	**±10%**	**46,646**	±10%	53,572

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk

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

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

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

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

Financial liabilities	***On demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
As at 31 December 2010						
Interest bearing loans and borrowings	434,290	2,342,323	2,187,015	5,571,342	58,854	10,593,824
Retentions payable	838	137,586	681,412	329,068	-	1,148,904
Payable to non-controlling interest	-	-	-	949,538	-	949,538
Dividend payable	76,049	-	-	-	-	76,049
Convertible notes	-	34,434	103,303	2,387,450	-	2,525,187
Other liabilities	67,245	2,023,901	2,596,840	3,139,000	-	7,826,986
Total undiscounted financial liabilities	**578,422**	**4,538,244**	**5,568,570**	**12,376,398**	**58,854**	**23,120,488**

Financial liabilities	***On demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
As at 31 December 2009 (Restated)						
Interest bearing loans and borrowings	40,531	2,241,445	2,613,274	4,192,448	72,441	9,160,139
Retention payable	-	143,588	655,312	361,406	-	1,160,306
Payable to non-controlling interest	-	-	-	901,185	-	901,185
Dividend payable	77,257	-	-	-	-	77,257
Other liabilities	83,642	3,264,095	2,115,684	2,674,401	175,398	8,313,220
Total undiscounted financial liabilities	201,430	5,649,128	5,384,270	8,129,440	247,839	19,612,107

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Capital management

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 33% and 50%. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes equity attributable to the Owners of the parent less the net unrealised gains reserve. At 31 December 2010, Groups' gearing ratio is 22% (31 December 2009: 18%). The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

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

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

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

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

34 HEDGING ACTIVITIES

Cash flow hedges

At 31 December 2010, the Group held certain interest rate swap contract designated as hedges of expected future payments under the borrowing contract entered by its subsidiaries for which the Group has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of this contract is USD 300,000 thousands (AED 1,101,900 thousands).

34 HEDGING ACTIVITIES (continued)

Cash flow hedges (continued)

In 2009, the Group had certain forward exchange contracts designated as hedges of expected future payments under construction contracts entered by its subsidiaries for which the Group had firm commitments. The forward exchange contracts were being used to hedge the foreign currency risk of the firm commitments. The nominal amounts of these contracts were AED 5,312 thousands.

	2010		*2009*	
	Assets AED' 000	***Liabilities AED' 000***	*Assets AED' 000*	*Liabilities AED' 000*
Interest rate swap contracts				
Fair value	-	**8,955**	-	-
Forward exchange contracts				
Fair value	-	-	219	-

35 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, on 3 February 2011, the Group has successfully executed a public offering of US$ 500 million Sukuk al Ijarah under the Group's US$ 2 billion Trust Certificate Issuance Program with a maturity date of 3 August 2016 at a yield of 8.5% per annum.