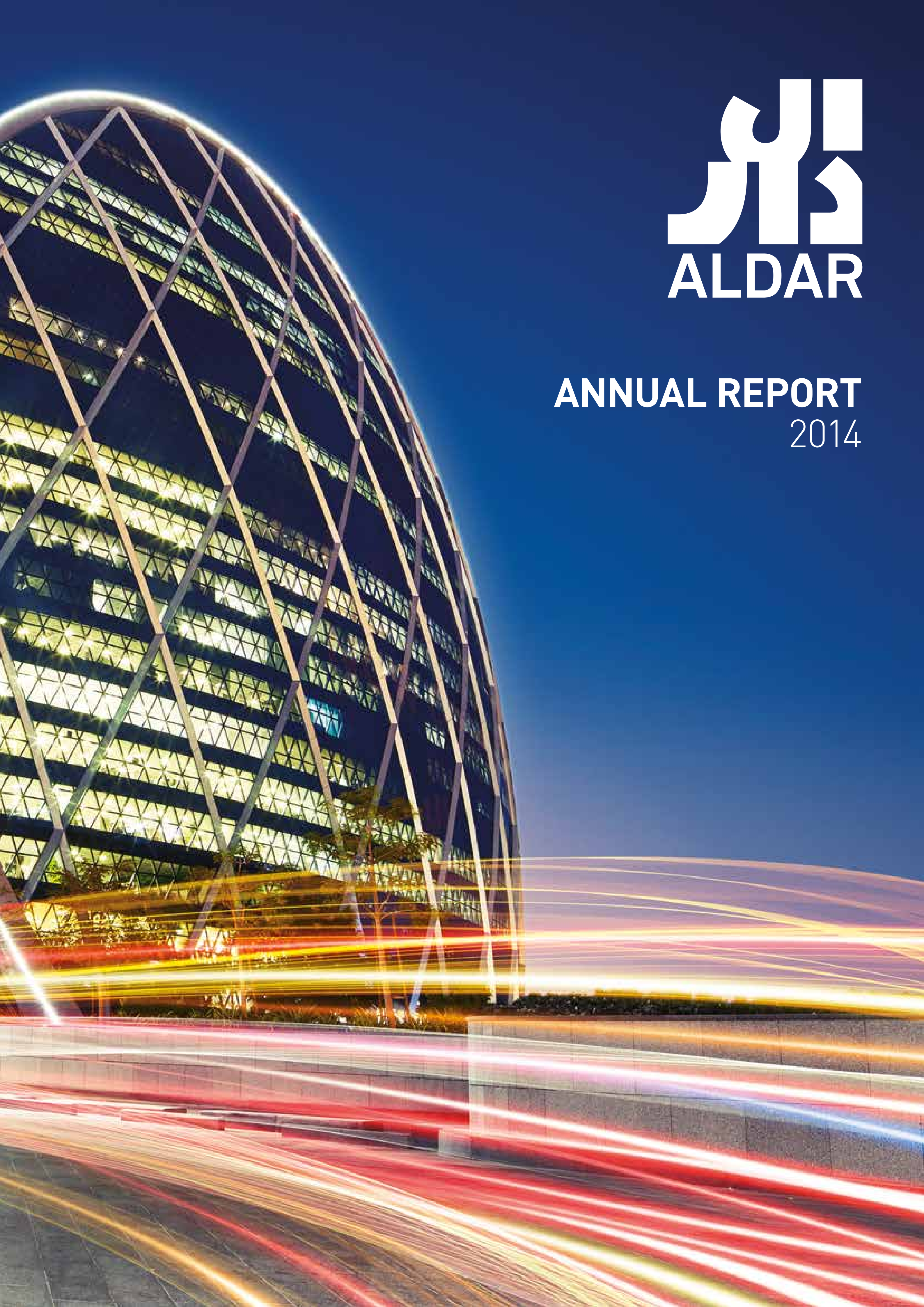
ALDAR

ANNUAL REPORT
2014



CONTENTS

CHAIRMAN'S MESSAGE

ABUBAKER SEDDIQ AL KHOORI
Chairman

> This has been one of the most exciting years for Aldar and the real estate sector, as Abu Dhabi's stable path of economic development creates significant real demand for property.

Delivering on our strategy

2014 has been a very positive year for Aldar and Abu Dhabi. The process of economic diversification in Abu Dhabi has continued at a good pace. Increase in non-oil activities, substantial investments in infrastructure by the Government, expansion of the industrial capability, development of a vibrant education and healthcare sector and the creation of a dynamic financial hub, is enlarging our population by approximately 6% each year and is driving an increased demand for high-quality property. Our economy is forecast to grow at around 3½% annually.

Aldar is not only a beneficiary of this growth but a vital and active contributor to Abu Dhabi's economic development and a valued partner of the Government of Abu Dhabi. We have been the voice of the private sector and have worked with the government to nurture a positive and open business environment which has contributed to the sharing of experiences across the business community and an increase in demand for our property from local and international investors.

As the leading real estate developer in Abu Dhabi, Aldar has taken a prominent and responsible role in helping raise the standard of property that is brought to the market and we now have a good track record of creating a healthy environment for investors and end-users. Regulation has played an important role and as a result, the property industry is now much more focussed on delivering the right product at the right time, to meet real customer driven demand. Availability of information has also helped the public to make the right purchasing decisions.

Our three project launches this year were well thought out and we were rewarded with strong sales at each of our launch events. In November this year we successfully launched Yas Mall and realised our vision to create an unrivalled retail and leisure destination that has transformed the landscape of Abu Dhabi for our people and for the region.

With this focus on delivery of key developments and prudent financial management, Aldar is now in an excellent position to move further into this new phase of growth. We are operating in a favourable environment and a maturing and increasingly stable real estate market.

Our financial position is strong and we have achieved our aims for 2014. Recurring revenues from our income-generating assets continued to grow, our net profit remained healthy and our debt reduction strategy is on track to meet our targets.

Our strong balance sheet generated increased confidence in Aldar from the international financial community, and this was illustrated by further upgrades to our credit rating to investment grade.

As I consider how the business is working now and how well we are configured for the future, I am happy that we have brought all the pieces of the Aldar mosaic together at the right speed and in the right order to create a clear picture of the company's growth in the future.

The final piece of this mosaic was added in 2014 when we appointed Mohamed Khalifa Al Mubarak as Chief Executive Officer. Finding the right person to lead Aldar was clearly an important decision for us and we ensured we took the time and employed an effective process to make the right choice.

With his extensive experience of the Abu Dhabi corporate landscape and of Aldar, Mohamed continues to lead a very strong team to drive the company forward. He has helped create one team and one identity with a winning culture that will sustain us for the future.

This has been one of the most exciting years for Aldar and the real estate sector, as Abu Dhabi's stable path of economic development creates significant real demand for property. We remain confident with the fundamentals in our home market with a clear government development plan, prudent fiscal management and increased contributions from the wider economy. Aldar will remain focused on our strategy of strengthening our balance sheet and deleveraging our business, growing recurring income and quality of earrings, monetising our land bank, and delivering shareholder value.

As I reflect on the achievements of this last year and look forward to 2015, I wish to thank the Abu Dhabi Government, our investors and customers for their continued contribution to Aldar's progress. I would also like to thank our team who have worked with passion and determination to achieve so many great successes this year. Collectively, we have created a solid, sustainable business that will continue to prosper.

CEO'S MESSAGE

> The commercial performance of our Asset Management portfolio was particularly strong this year and we have been encouraged by the strength of demand in Abu Dhabi for high-quality developments with modern facilities and amenities.

MOHAMED KHALIFA AL MUBARAK
Chief Executive Officer

A year of accomplishment

2014 has been a pivotal year for Aldar in which we executed our strategy to monetise our land bank and deliver a significant number of high quality developments to the expanding Abu Dhabi market, grow our recurring revenue streams from income generating assets and deleverage our balance sheet.

Our business is structured around three revenue generating business units: Real Estate Development, Asset Management and Adjacent Businesses.

Real Estate Development is the heart of our business and in 2014 we had an outstanding year of delivery supplying over 7,000 high-quality, residential units to the Abu Dhabi market, over 2,800 of which were added to Aldar's residential portfolio. In addition, two new developments, Hadeel and Ansam were successfully launched and fully sold and are set to handover in 2017. Further to this, two important Government Housing projects in Sila'a and Ghareba were also completed this year and handed over to the Government of Abu Dhabi.

The commercial performance of our Asset Management portfolio was particularly strong this year and we have been encouraged by the strength of demand in Abu Dhabi for high-quality developments with modern facilities and amenities. Aldar's residential asset management portfolio grew close to three-fold in 2014 following the successful leasing of over 2,800 residential units at The Gate Towers and al rayyana, which was achieved one year ahead of schedule.

One of the most significant events in 2014 was the successful launch of Yas Mall, our flagship asset. Yas Mall opened its doors in November in time for the Abu Dhabi Grand Prix and has achieved the commercial targets we set ourselves for its opening quarter. As the anchor destination on Yas Island, Yas Mall offers a unique retail and leisure experience, hugely complementing the existing hotels, theme parks, sporting facilities and soon residential developments that populate the island.

Our Adjacent Businesses, which include Aldar Academies and Khidmah, continue to grow. Aldar Academies which started as one school with only 250 pupils back in 2007 now has close to 4,800 pupils across seven schools across Abu Dhabi and Al Ain. Our mission to deliver first-class, high-quality education has resulted in our schools achieving the highest educational performance ratings set by the Abu Dhabi Education Council and we continue to assess further opportunities to expand both our offering with new schools and curriculums on offer.

Today, Aldar has a strong balance sheet, healthy capital position and the right management team in place to continue meeting the needs of our customers and shareholders. High quality recurring revenues from our income generating assets have continued to grow, our net profit remains healthy, and our debt reduction strategy is on track to meet our previously set targets. Confidence in our capital structure was reinforced with further upgrades to our credit rating to investment grade by Moody's and S&P.

We continue to see demand in the region for quality real estate across all of our key markets. We have a development plan of around 7,300 units which we could look to launch over the next 4-5 years all focused on enhancing our destinations, Yas Island, Al Raha Beach and Shams Al Reem Island.

The hard work and diligence of all our employees throughout 2014 has enabled us to achieve the goals we set out for the year and provide Aldar with a clear development plan for the future. I would like to thank all our employees for their commitment to equipping the business for a long-term future. Aldar remains focussed on our strategy and meeting our targets; delivering a high-quality service to our customers and creating value for investors, shareholders and the Abu Dhabi Government. I would like to thank all these stakeholders for their continued partnership and support in the continued growth of Aldar.

CFO'S MESSAGE

> Aldar's two main operational divisions both contributed meaningfully to our bottom line. This performance has increased cash flows that have been used to repay debt and improve our balance sheet significantly.

GREG FEWER
Chief Financial Officer

Improved quality of earnings

Last year we refined our business model to be geared towards the growth of our recurring revenues, reduction in gross debt, and the prudent identification of value-driven development opportunities. In 2014, Aldar has made impressive progress across all these business priorities, and as a result, the composition of our earnings was of significantly higher quality in 2014.

Aldar's two main operational divisions both contributed meaningfully to our bottom line. This performance has increased cash flows that have been used to repay debt and improve our balance sheet significantly.

Asset Management

Our recurring revenue growth strategy has been underway for some time and in 2014 we achieved considerable success. During the year, our residential asset management portfolio grew almost three-fold following the successful leasing and handover of over 2,800 units at The Gate Towers and al rayyana.

Our hotel portfolio performed exceptionally well with occupancy up to 81% across the year, supported by a very impressive last quarter which saw the Abu Dhabi Formula 1 race in November and strong growth in tourist numbers visiting Abu Dhabi. Similar improvements were achieved with our commercial office space, which reached 91% leasing, versus 82% a year ago, demonstrating the demand for high quality office space in the market.

As a result of this expanded, high quality, income generating asset base, our recurring revenues, which include investment properties, hotels, schools, operative villages, and leisure, were up 23% in 2014 to AED 2.25 billion.

This growth is set to continue into 2015 as we see further stabilisation across our recurring revenue asset portfolio. Yas Mall, our flagship asset, contributed six weeks of trading into our 2014 numbers, and once fully stabilised will be the largest recurring revenue asset by income.

Development

From a development perspective, of the 7,000 residential units we handed over this year, close to 2,000 units flowed through our profit and loss as development revenues, mostly attributable to handovers at The Gate Towers, and we are now very much at the end of this development cycle with only several hundred units to book as revenue in 2015.

Aldar's future development pipeline was activated in April 2014, with the launch of the first off-plan sales in the Abu Dhabi market since 2010: Ansam on Yas Island and Al Hadeel at Al Raha Beach. Aldar remains committed to real estate development in Abu Dhabi and has a clear and defined development plan focused on enhancing our existing destinations, Yas Island, Al Raha Beach and Shams Al Reem Island.

Alongside Development and Asset Management, our adjacent businesses also continue to perform well. Aldar Academies saw a 12% jump in student numbers for the 2014/15 academic year. Khidmah, our property and facilities management business also saw growth and improved performance having secured new management contracts during the year.

Debt management

Our debt strategy is well on track and has delivered a further strengthening of our balance sheet, with gross debt down to AED 9.2 billion from AED 13.8 billion a year ago and net debt to equity ratio falling to 30% (2013: 65%). Our refinancing efforts, which commenced with the $750 million five-year Sukuk issued in late 2013, continued into 2014 with new banking agreements signed that refinanced and extended the debt maturity, and reduced our weighted average interest cost to 2.7%, down from 5.9% a year ago. This translates into significant cash interest savings, which are now a quarter of what they were 18 months ago on an annualised basis.

The positive market outlook and strength of our balance sheet resulted in significant upgrades from both Moody's and S&P in November and December respectively, upgrading Aldar to investment grade. This was an important milestone for Aldar, which achieved an unprecedented series of notch upgrades from both Moody's and S&P in the last 18 months.

2014 has been a year of execution and delivery for Aldar. Our business is well balanced between a strong recurring revenue assets base and a clear development plan, further supported by a strong balance sheet, with the financial flexibility to continue growth and create further value for shareholders.

OUR RECURRING REVENUES WHICH INCLUDE INVESTMENT PROPERTIES, HOTELS, SCHOOLS, OPERATIVE VILLAGES, AND LEISURE, WERE UP 23% IN 2014 TO AED 2.25 BILLION

GROSS DEBT DOWN TO AED 9.2 BILLION FROM AED 13.8 BILLION A YEAR AGO AND NET DEBT TO EQUITY RATIO FALLING TO 30%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ALDAR PROPERTIES PJSC

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Board of Directors' report

On behalf of the Board of Directors, I am delighted to present the consolidated audited financial statements of Aldar Properties PJSC ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2014.

Principal activities

The principal activities of the Group continue to be the property development, investment and management of its real estate assets including offices, malls, hotels, schools, marinas and golf courses.

Financial results

The financial results of the Group have been presented on page 20 of these consolidated financial statements. Please also refer to financial review section for details.

Financial statements

The Directors reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2014.

Directors

The members of the Board of Directors as of 31 December 2014 are:	
Mr. Abubaker Seddiq Al Khoori	Chairman
Mr. Ali Eid Al Mheiri	Vice Chairman
Dr. Sultan Ahmed Al Jaber	Director
Mr. Mubarak Matar Al Humairi	Director
Mr. Ali Majid Al Mansouri	Director
Mr. Ali Saeed Abdulla Sulayem Al Falasi	Director
Mr. Mansour Mohamed Al Mulla	Director
Mr. Ahmed Khalifa Mohamed Al Mehairi	Director
Mr. Mohamed Haji Al Khoori	Director
Mr. Martin Lee Edelman	Director

Release

The Directors release from liability the external auditor and management in connection with their duties for the year ended 31 December 2014.

On behalf of the Board of Directors

ABUBAKER SEDDIQ AL KHOORI
Chairman

11 February 2015

FINANCIAL REVIEW

The financial information contained in this review is based on the consolidated financial statements. The nature of and accounting policies for individual line items are detailed in Note 3 to the consolidated financial statements. Extracts from the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows are as follows:

Key consolidated statement of financial position information

	2014 AED million	2013 AED million
Property, plant and equipment	3,200	3,257
Investment properties	14,401	12,026
Development work in progress	2,871	4,311
Land held for resale	1,815	1,783
Trade and other receivables	9,619	13,389
Cash and bank balances	4,664	4,294
Financing[i]	9,170	13,786
Net assets (total assets less total liabilities)	18,373	16,648

Key consolidated income statement information

	2014 AED million	2013 AED million
Revenue	6,551	5,380
Direct costs	(5,033)	(3,616)
Selling and marketing expenses	(36)	(12)
General and administrative expenses:		
Staff costs	(231)	(250)
Depreciation and amortisation	(228)	(309)
Reversal/(provisions, impairments and write downs), net	197	(1,136)
Pre-opening expenses of operational businesses	(50)	–
Other	(137)	(158)
Gain on disposal of investment in an associate	42	3
Gain on business combination	–	2,591
Fair value gain/(loss) on investment properties	474	(341)
Share of profit/(loss) from associates and joint ventures	96	(16)
Gain on disposal of investment properties	28	–
Gain on discontinued operations	10	–
Finance income	111	186
Finance costs	(382)	(727)
Other income	854	630
	2,266	2,225

(i) Financing is defined as outstanding balances from all borrowings and non-convertible bond and Sukuk.

Key consolidated cash flow statement information

	2014 AED million	2013 AED million
Net cash generated from operating activities	**6,638**	4,417
Net cash generated from/(used in) investing activities	**66**	(603)
Net cash used in financing activities	**(5,656)**	(2,746)
Cash and cash equivalents at the end of the year	**3,126**	2,078
Short term deposits and restricted balances with banks	**1,538**	2,216
Cash and bank balances at the end of the year	**4,664**	4,294

Highlights

The Group's net profit for the year ended 31 December 2014 was AED 2,266 million compared to AED 2,225 million for the year 2013. Revenue for the year was AED 6,551 million as compared to AED 5,380 million for the year 2013. Recurring revenues from investment properties and other operational businesses amounted to AED 2,249 million compared to AED 1,830 million for 2013. This increase was primarily due to improved performance of the Group's operational assets such as hotels, schools, and investment properties, in particular growth in residential investment properties successfully leased into the market.

For the three months ended 31 December 2014, the Group's net profit was AED 718 million and revenue was AED 1,270 million, including recurring revenues of AED 701 million. Overall quarterly revenues were driven by the handover of residential units, mainly at Gate Towers, and an increased contribution from newly leased residential properties at our al rayyana and Gate Towers developments, which are now mostly leased out.

During the year, the Group reduced its gross debt from AED 13.8 billion to AED 9.2 billion and refinanced existing bank loans to further reduce the Group's cost of borrowing thus improving the Group's liquidity position and extending its debt maturity profile. The Group maintains strong liquidity position with AED 4.7 billion in cash and bank balances at year end in addition to AED 1.6 billion in undrawn committed bank facilities.

Operational achievements

- Yas Mall officially opened on 19 November, 2014 with over 98% of the total retail space committed by tenants.
- During the year, the Group delivered 1,975 residential units to customers including 104 unit sales during the fourth quarter.
- As of the report date, the Group had completed the leasing of the 1,526 residential units at al rayyana development and over 1,340 units at Gate Towers which were retained for leasing.
- During the year, the Group launched three major new off plan residential developments in prime areas of Abu Dhabi. The developments include apartment units at Ansam on Yas Island, apartment and townhouse units at Al Hadeel, Raha Beach, and luxury villa land plots at Nareel Island.

Analysis of income statement

Revenue

The Group's revenue is mostly generated from the sale of completed properties, rental income from investment properties and income from its operational businesses. Revenue for the year is primarily driven by the unit handovers at the Gate Towers and sale of B2 Tower on Reem Island in addition to the increasing recurring revenue streams.

The Group earned AED 4,302 million from property development activities during the year, mainly from the sale of completed properties and construction revenue. The recurring revenue from the Group's investment properties, operative villages and other operational businesses was AED 2,249 million for the year compared to AED 1,830 million for 2013.

Direct costs and gross profit

For the twelve months ended 31 December 2014, direct costs included AED 3,794 million mainly for cost of properties sold and construction costs and AED 1,239 million for costs of operational business and investment properties. The overall increase in direct costs is in line with the increase in revenue. Lower gross profit margin for the year is mainly due to the recognition of high margin land plot sales during 2013 compared to this year.

FINANCIAL REVIEW (CONTINUED)

Analysis of income statement (continued)

Selling, general and administrative expenses

Selling, general and administrative expenses (excluding depreciation and amortisation) were lower compared to the corresponding period mainly because of the reversal of impairment of property, plant and equipment and inventory as well as post-merger operating synergies. These were offset by specific provisions taken during the year, pre-opening expenses for a specific investment property and marketing expenses on newly launched projects.

Other income

Other income represents mainly AED 311 million income recognised upon handover of infrastructure assets, AED 347 million upon handover of units in the Gate Towers, representing profit on units sold to the Government of Abu Dhabi, and AED 83 million cost recoveries from the Government of Abu Dhabi.

Fair value gain

Fair value gain on investment properties of AED 474 million mainly resulted from a fair value gain on a change in valuation methodology applied to Yas Mall upon completion and other fair value gains on newly-delivered leased residential properties and improved market conditions. This was offset by fair value loss of other investment properties with reduced rental rates and properties subject to fixed term leasehold interests by the Group.

Finance income/costs

The Group's finance income comprises interest on bank deposits, profit on Islamic deposits and finance income from finance leases. The Group's finance costs comprise interest payments on its external financing and related hedging costs.

The Group had finance costs of AED 382 million compared to AED 727 million for the year 2013. The decrease is in line with both a reduction in the Group's borrowings and cost of debt.

Analysis of financial position

Equity

The Shareholders resolved to transfer the share premium to the statutory reserve and thereafter transfer the excess statutory reserve balance representing more than 50% of the share capital account to offset accumulated losses and the share issuance costs. There is no impact on the overall shareholders' equity as a result of these transfers.

Investment properties

Investment properties increased compared to 31 December 2013 due to ongoing work on investment properties under development, mainly Yas Mall prior to its completion, and fair value gain on Yas Mall as a result of the change in valuation methodology post development completion and other fair value gains on leased residential properties, offset by fair value losses on certain investment properties including those subject to fixed term leasehold interests, and transfer of owner-occupied properties to property, plant and equipment.

Development work in progress

Development work in progress as at 31 December 2014 decreased compared to 31 December 2013 mainly due to the recognition of cost of sold units, the transfer of leased units to investment properties and completed units to inventories, the disposal of a project development as a result of disposal of a subsidiary, and the write off of certain project costs during the period.

Trade and other receivables

The Group's receivables decreased compared to the balance at 31 December 2013 mainly due to collections from the Government of Abu Dhabi and other trade receivables, and a contractual prepayment of finance lease.

Financing

The Group's external financing as at 31 December 2014 decreased significantly to AED 9,170 million compared to AED 13,786 million as at 31 December 2013.

Analysis of cash flows

The Group had net cash inflows of AED 6,638 million from operating activities for the year ended 31 December 2014. This was mainly due to the collection of receivables.

The Group's net cash inflows from investing activities for the year ended 31 December 2014 are mainly attributable to decrease in restricted bank deposits and term deposits with original maturities above three months and proceeds from the disposal of investment in associate, offset by additions in investment properties.

Net cash outflows from financing activities for the year are mainly due to net repayment of existing borrowings and related finance costs.

GREG FEWER
Chief Financial Officer

11 February 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC ABU DHABI, U.A.E.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aldar Properties PJSC ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Company, and the financial information included in the Board of Directors' report related to the consolidated financial statements is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its operations for the year.

Deloitte & Touche (M.E.)

Georges F. Najem
Registration Number 809

11 February 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 AED'000	2013 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**3,199,866**	3,256,809
Intangible assets	6	**4,743**	2,713
Investment properties	7	**14,401,206**	12,025,981
Investment in associates and joint ventures	8	**922,434**	1,048,513
Available-for-sale financial assets	9	**108,007**	102,642
Trade and other receivables	10	**934,983**	3,101,444
Total non-current assets		**19,571,239**	19,538,102
Current assets			
Land held for resale		**1,815,051**	1,782,762
Development work in progress	11	**2,870,995**	4,310,918
Inventories	12	**943,059**	3,514,452
Trade and other receivables	10	**8,684,425**	10,287,732
Cash and bank balances	13	**4,664,361**	4,294,081
Total current assets		**18,977,891**	24,189,945
Total assets		**38,549,130**	43,728,047

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

	Notes	2014 AED'000	2013 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**7,862,630**	7,862,630
Share premium		**–**	10,412,278
Share issuance costs, net		**–**	(79,920)
Statutory reserve	15	**3,931,315**	1,235,014
Hedging reserve		**(43,511)**	(48,296)
Fair value reserve		**20,013**	8,301
Retained earnings/(accumulated losses)		**6,305,425**	(3,015,384)
Equity attributable to the owners of the Company		**18,075,872**	16,374,623
Non-controlling interests		**297,510**	273,336
Total equity		**18,373,382**	16,647,959
Non-current liabilities			
Non-convertible bonds and Sukuk	16	**2,741,717**	2,744,793
Bank borrowings	17	**4,855,500**	2,964,749
Retentions payable		**147,184**	130,842
Provision for employees' end of service benefit	18	**101,919**	96,901
Security deposits		**–**	1,998
Other financial liabilities		**28,376**	33,033
Total non-current liabilities		**7,874,696**	5,972,316
Current liabilities			
Non-convertible bonds and Sukuk	16	**9,983**	4,644,771
Bank borrowings	17	**1,562,398**	3,431,542
Retentions payable		**832,739**	1,300,727
Advances and security deposits from customers	19	**1,398,392**	3,144,168
Trade and other payables	20	**8,496,404**	8,583,052
Other financial liabilities		**1,136**	3,512
Total current liabilities		**12,301,052**	21,107,772
Total liabilities		**20,175,748**	27,080,088
Total equity and liabilities		**38,549,130**	43,728,047

ABUBAKER SEDDIQ AL KHOORI
Chairman

MOHAMMED KHALIFA AL MUBARAK
Chief Executive Officer

GREG FEWER
Chief Financial Officer

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 AED'000	2013 AED'000
Revenue	21	**6,551,078**	5,379,757
Direct costs	22	**(5,032,672)**	(3,615,700)
Gross profit		**1,518,406**	1,764,057
Selling and marketing expenses	23	**(35,540)**	(12,170)
General and administrative expenses:			
Staff costs	24	**(231,226)**	(249,818)
Depreciation and amortisation		**(227,670)**	(309,188)
Reversal/(provisions, impairments and write downs), net	25	**196,483**	(1,135,997)
Pre-opening expenses of operational businesses		**(50,298)**	–
Other		**(136,533)**	(158,051)
Share of profit/(loss) from associates and joint ventures	8	**96,006**	(16,475)
Gain on disposal of investment in an associate	8	**42,039**	3,018
Gain on disposal of investment properties	7	**28,437**	–
Gain on business combination	35	**–**	2,590,782
Fair value gain/(loss) on investment properties	7	**474,157**	(340,544)
Gain on discontinued operations	37	**9,720**	–
Finance income	26	**110,587**	186,237
Finance costs	27	**(381,795)**	(727,020)
Other income	28	**853,580**	630,364
Profit for the year		**2,266,353**	2,225,195
Profit for the year attributable to:			
Owners of the Company		**2,235,136**	2,246,294
Non-controlling interests		**31,217**	(21,099)
		2,266,353	2,225,195
Basic and diluted earnings per share in AED per share	29	**0.284**	0.339

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 AED'000	2013 AED'000
Profit for the year	**2,266,353**	2,225,195
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of cash flow hedges	**4,785**	13,125
Changes in fair value of available-for-sale financial assets	**10,696**	1,213
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year	**1,016**	(1,525)
Other comprehensive income for the year	**16,497**	12,813
Total comprehensive income for the year	**2,282,850**	2,238,008
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**2,251,633**	2,259,107
Non-controlling interests	**31,217**	(21,099)
	2,282,850	2,238,008

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Share capital AED'000	Share premium AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2013		4,085,129	7,984,873	(79,920)	1,010,385	(59,896)	7,088	(4,768,152)	8,179,507	–	8,179,507
Profit for the year		–	–	–	–	–	–	2,246,294	2,246,294	(21,099)	2,225,195
Other comprehensive income		–	–	–	–	11,600	1,213	–	12,813	–	12,813
Dividends declared	30	–	–	–	–	–	–	(268,897)	(268,897)	–	(268,897)
Conversion of bonds into shares	16	396,501	297,375	–	–	–	–	–	693,876	–	693,876
Issue of shares as consideration for the acquisition of Sorouh	35	3,381,000	2,130,030	–	–	–	–	–	5,511,030	–	5,511,030
Non-controlling interests arising on the acquisition of Sorouh	35.2	–	–	–	–	–	–	–	–	294,435	294,435
Transfer to statutory reserve	15	–	–	–	224,629	–	–	(224,629)	–	–	–
Balance at 1 January 2014		7,862,630	10,412,278	(79,920)	1,235,014	(48,296)	8,301	(3,015,384)	16,374,623	273,336	16,647,959
Net transfers during the year[i]		–	(10,412,278)	79,920	2,696,301	–	–	7,636,057	–	–	–
Profit for the year		–	–	–	–	–	–	2,235,136	2,235,136	31,217	2,266,353
Other comprehensive income		–	–	–	–	4,785	11,712	–	16,497	–	16,497
Dividends declared	30	–	–	–	–	–	–	(550,384)	(550,384)	–	(550,384)
Disposal of interest in a subsidiary	37	–	–	–	–	–	–	–	–	(7,043)	(7,043)
Balance at 31 December 2014		7,862,630	–	–	3,931,315	(43,511)	20,013	6,305,425	18,075,872	297,510	18,373,382

(i) During the Annual General Meeting held on 26 March 2014, the Shareholders resolved to transfer the share premium to the statutory reserve and thereafter transfer the excess statutory reserve balance representing more than 50% of the share capital to offset accumulated losses amounting to AED 3,015,384,428 and the share issuance costs amounting to AED 79,920,364.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 AED'000	2013 AED'000
Cash flows from operating activities		
Profit for the year	**2,266,353**	2,225,195
Adjustments for:		
Depreciation and amortisation	**236,776**	309,188
Finance income	**(110,587)**	(186,237)
Dividend income	**(7,276)**	(4,939)
Finance costs	**352,536**	680,365
Amortisation of prepaid finance costs	**29,259**	46,655
Fair value (gain)/loss on investment properties	**(474,157)**	340,544
Share of (profit)/loss from associates and joint ventures	**(96,006)**	16,475
Release of provision for onerous contracts	**(43,570)**	(17,000)
Impairments/write-offs on projects	**33,201**	1,009,451
Provision for impairment of trade receivables/cancellations	**28,033**	40,476
Reversal of impairment of inventories	**(105,940)**	–
Provision for impairment of gross amounts due from construction contracts	**–**	86,070
Reversal of impairment on property, plant and equipment and intangible assets, net	**(148,905)**	–
Reversal of impairment of investment in an associate	**(2,877)**	–
Reversal of accruals	**(84,086)**	–
Reversal of unrealised gain on sale of asset to a joint venture	**–**	(18,592)
Gain on business combination	**–**	(2,590,782)
Gain on disposal of an associate	**(42,039)**	(3,018)
Gain on disposal of an investment in available-for-sale financial assets	**(1,249)**	–
Gain on disposal of a subsidiary	**(9,720)**	(3,455)
Gain on disposal of property, plant and equipment	**(168)**	(6,220)
Gain on disposal of investment property	**(28,437)**	–
Provision for end of service benefit, net	**5,018**	(1,489)
Operating cash flows before changes in working capital	**1,796,159**	1,922,687
Changes in working capital:		
Decrease in trade and other receivables	**3,751,062**	2,487,764
Increase in development work in progress	**(155,311)**	(363,277)
Decrease in inventories	**3,448,546**	1,831,746
Decrease in retentions payable	**(451,647)**	(43,674)
Decrease in advances and security deposits from customers	**(1,745,775)**	(1,918,966)
(Decrease)/increase in trade and other payables	**(5,089)**	501,169
Net cash generated from operating activities	**6,637,945**	4,417,449

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	2014 AED'000	2013 AED'000
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(50,121)	(37,427)
Proceeds from disposal of property, plant and equipment	168	8,655
Payments for purchases of intangible assets	(5,914)	(1,062)
Additions to investment properties	(953,553)	(1,199,702)
Payments for investment in joint ventures	–	(89,402)
Cash acquired on business combination	–	1,521,478
Payments for investment in available-for-sale financial assets	(4,315)	(14,222)
Proceeds from disposal of available-for-sale financial assets	10,895	–
Proceeds from disposal of an associate	200,000	122,474
Proceeds from disposal of an investment property	74,174	–
Finance income received	25,415	25,436
Dividends received	91,303	27,091
Movement in term deposits with original maturities above three months	456,324	(1,070,269)
Movement in restricted bank balances	221,776	104,293
Net cash generated from/(used in) investing activities	66,152	(602,657)
Cash flows from financing activities		
Repayment of non-convertible bonds	(4,590,000)	(3,750,000)
Financing raised	5,917,591	6,371,300
Repayment of borrowings	(5,846,984)	(4,332,154)
Finance costs paid	(600,206)	(806,492)
Dividends paid	(536,118)	(213,114)
Directors' remuneration paid	–	(16,000)
Net cash used in financing activities	(5,655,717)	(2,746,460)
Net increase in cash and cash equivalents	1,048,380	1,068,332
Cash and cash equivalents at the beginning of the year	2,077,607	1,009,275
Cash and cash equivalents at the end of the year (Note 13)	3,125,987	2,077,607

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 General information

The establishment of Aldar Properties PJSC ("the Company") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005.

The Company is domiciled in the United Arab Emirates and its registered office address is PO Box 51133, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as "the Group") are engaged in various businesses primarily the development, sales, investment, construction, management and associated services for real estate. In addition, the Group is also engaged in development, construction, management and operation of hotels, schools, marinas and golf courses.

On 27 June 2013, the Company issued shares as consideration for the acquisition of the net assets of Sorouh Real Estate PJSC (henceforth referred to as "Sorouh") to Sorouh's shareholders in the ratio of 1.288 new shares in the Company for each share held in Sorouh. The transaction was approved in the shareholders' meeting on 3 March 2013. The impact of the acquisition on the comparative numbers of these consolidated financial statements has been detailed in Note 35.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirements
Amendments to IAS 19 *Employee Benefits*	The amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.
Amendments to IAS 32 *Financial Instruments: Presentation*	The amendments provide guidance on the offsetting of financial assets and financial liabilities.
Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets	The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*	The amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements – Guidance on Investment Entities*	On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.
IFRIC 21 *Levies*	This Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRS in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised IFRSs were in issue but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual improvements 2012-2014 covering amendments to IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016
Annual improvements 2010-2012 covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 July 2014
Annual improvements 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendment to IAS 19 *Employee Benefits* relating to defined benefit plans and employee contributions	1 July 2014
IFRS 9 *Financial Instruments* (as revised in 2010)	Not earlier than 1 January 2018
Amendments to IFRS 9 Financial Instrument to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets	1 January 2018
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to IAS 27 *Agriculture: Bearer Plants*	1 January 2016
Amendments to IAS 1 *Disclosure Initiative*	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: *Applying the Consolidation Exception*	1 January 2016
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	When IFRS 9 is first applied
Amendments to IAS 39 *Financial Instruments*	When IFRS 9 is first applied

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 15, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group is assessing the impact of early adopting IFRS 15. Based on an analysis of the contractual relationships with customers, the adoption of the standard may result in a change to the timing of revenue recognition.

3 Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and also comply with the applicable requirements of the laws in the UAE.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties and certain financial instruments. The principal accounting policies are set out below.

For the purpose of these consolidated financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Group.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties
Al Jimi Mall LLC	100%	UAE	Development and management of investment property
Addar Real Estate Services LLC	100%	UAE	Property development
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of properties
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities
Nareel Island Development Company LLC	100%	UAE	Development and management of, and investment in, properties and related activities
Yas Marina LLC	100%	UAE	Ownership, development and management of marinas and related activities
Yas Yacht Club LLC	100%	UAE	Management of yachts and marine sports
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs
Al Muna Primary School LLC	100%	UAE	Providing educational services
Gate Towers Shams Abu Dhabi LLC	100%	UAE	Development of Gate Towers
Sorouh Abu Dhabi Real Estate LLC	100%	UAE	Act as Mudarib in accordance with the Sukuk Issue structure
Sorouh International Limited[i]	100%	UAE	Holding company of foreign entities
Sorouh International Development Limited[i]	100%	UAE	Development of properties and real estate
Sorouh International Morocco Limited[i]	100%	UAE	Development of properties and real estate
Lulu Island for Project Development LLC	100%	UAE	Development of properties and real estate
Tilal Liwa Real Estate Investment LLC	100%	UAE	Property, rental and management
Al Seih Real Estate Management LLC	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC	91.4%	UAE	Property rental and management; real estate projects investment
Sorouh Egypt for Investment and Tourism Development SAE[i]	80%	Egypt	Investment in tourism activity
Khidmah LLC	60%	UAE	Management and leasing of real estate
Pivot Engineering & General Contracting Co. (WLL)	60%	UAE	Engineering and general construction works

(i) Disposed of during the year (Note 37).

3.4 Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised are carried in the consolidated statement of financial position at cost and as adjusted thereafter to recognise for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate and joint venture.

Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long term interests that, in substance, form part of the Group's net investment in associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Where an entity in the Group transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 Summary of significant accounting policies (continued)

3.6 Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.7 Revenue recognition

Revenue is recognised in the consolidated income statement at the fair value of the consideration received or receivable as follows:

Sale of properties

Revenue from the sale of properties is recognised when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the property;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Changes in estimates used in the determination of the amount of revenue and expenses are recognised in profit or loss in the period in which the change is made.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of contracts include all direct costs of labour, materials, depreciation of property, plant and equipment and costs of subcontracted works, plus an appropriate proportion of construction overheads and general and administrative expenses of the year, which are allocated to construction contracts in progress during the year.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

3 Summary of significant accounting policies (continued)

3.7 Revenue recognition (continued)

Income from investment properties

Rental income

The Group's policy for recognition of revenue from operating leases is described in 3.8 below.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Group acts as principal in this respect.

Income from hotels

Income from hotels comprises revenue from rooms, food and beverages and other associated services provided, and is recognised when the goods are sold or services are rendered.

Income from leisure businesses

Income from leisure businesses comprises revenue from goods sold and services provided at marinas and golf course, and is recognised when the goods are sold or services are rendered.

Income from schools

Registration fee is recognised as income when it is received. Tuition fee income is recognised on a monthly basis over the period of instruction. Tuition fees received in advance are recorded as deferred income.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and effective interest rate applicable.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.10 below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 Summary of significant accounting policies (continued)

3.9 Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.10 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period during which they are incurred.

3.11 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	20 – 30
Labour camps	5
Furniture and fixtures	5
Office equipment	3 – 5
Computers	3
Motor vehicles	4
Leasehold improvements	3 – 4

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3.12 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

3 Summary of significant accounting policies (continued)

3.13 Investment property

Investment property comprises completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment property is measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

3.14 Development work in progress

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

3.15 Inventories

Inventories comprise completed properties held for sale in the ordinary course of business and other operating inventories. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction/acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

3.16 Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Costs include the cost of land acquired and all direct costs attributable to the infrastructure works of the land. Net realisable value represents the estimated selling price of the land less all estimated costs necessary to make the sale.

3.17 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

Licenses

Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3.18 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 Summary of significant accounting policies (continued)
3.18 Impairment of tangible and intangible assets excluding goodwill (continued)
Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an Summary of significant accounting policies impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.20 Employee benefits
An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

3.21 Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-monetary assets are recognised as deferred government grant in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Land granted by the Government of Abu Dhabi is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

3.22 Financial assets
Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Loans and receivable include cash and bank balances, trade and other receivables, amounts due from related parties and loans and advances to third parties.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

3 Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

AFS financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

AFS investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve in equity, with the exception of impairment losses, interest calculated using effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

Where the AFS investment is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously accumulated in the investment revaluation reserve is reclassified to the profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of past event, the estimated future cash flows of the investment have been affected.

For unquoted shares classified as AFS at cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

3 Summary of significant accounting policies (continued)

3.23 Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when recognition of interest would be immaterial.

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

Derecognition of financial liabilities

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

3.24 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair values of the derivatives are carried out by independent valuers by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates certain derivatives into two types of hedge categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

Hedge accounting

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and the effectiveness can be reliably measured. At inception of the hedge, the Group documents its risk management objective and strategy for undertaking various hedge transactions, including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Note 33.5(b) sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit of loss from that date.

3 Summary of significant accounting policies (continued)

3.24 Derivative financial instruments (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Classification of leases

The Group, as a lessor, has entered into long-term lease arrangements for plots of land with entities outside the Gulf Cooperation Council (non-GCC entities) whereby the lease term under each lease is valid for a period of 99 years renewable at the option of the lessees for an indefinite duration.

In the process of determining whether these arrangements represent operating leases or finance leases, the Group's management has made various judgments. In making its judgments, the Group's management considered the terms and conditions of the lease agreements and the requirements of IAS 17 Leases, including the Basis for Conclusions on IAS 17 provided by the International Accounting Standards Board and related guidance, to determine whether significant risks and rewards associated with the land in accordance with each lease term would have been transferred to the lessees despite there being no transfers of title. The Group evaluated the transfer of risks and rewards before and after entering into the lease arrangements, and has obtained a legal opinion from independent legal advisors. Management has determined that in the lease arrangements referred to above, the Group transferred substantially all risks and rewards of ownership to the lessees with practical ability for the lessees to exercise unilaterally all rights on the plots of land. Accordingly, management is satisfied that these arrangements represent finance leases.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by the management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Estimation of total costs of construction contracts

As described in Note 3, when the outcome of a construction contract can be estimated reliably, revenues and costs are recognised by reference to stage of completion of the contract activity at the end of the reporting period. In judging whether the outcome of the construction contract can be estimated reliably, management has considered the detailed criterion for determination of such outcome as set out in IAS 11 *Construction Contracts*. For the purpose of estimating the stage of completion of contract activity, management has considered the forecasts for revenue and costs related to each construction contract. When it is estimated that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The management has considered the costs to be incurred based on analysis and forecast of construction work to be executed.

Fair value of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the Residual Value Method, and the Income Capitalisation Method.

The Residual Value Method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.

Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2014, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range %
Targeted internal rate of return	11 – 15
Rental yield	8 – 11

Estimation of net realisable value for inventory and development work in progress

Properties held for resale and properties classified under development work in progress are stated at lower of cost or net realisable value (NRV). NRV is assessed with reference to sales prices, costs of completion and advances received and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available.

Impairment of property, plant and equipment and capital work in progress

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

Valuation of unquoted AFS equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of investments in/receivable from joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired, entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment and/or receivable is recognised as an expense in profit or loss. Management is satisfied that no additional impairment is required on its investments in associates and joint ventures (Note 8) and it's receivables from associates and joint ventures (Note 10.5) in excess of amount already provided.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired, entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with the legal department and review of the current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables in excess of amount already provided (Note 10.1).

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5 Property, plant and equipment

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improve-ments AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2013	5,807,132	1,502,474	405,755	47,037	70,468	4,586	11,656	474,480	8,323,588
Additions	1,437	2,230	9,451	6,314	3,441	2,321	–	12,233	37,427
Acquired under business combination	150,845	–	156,252	1,135	6,984	270	1,949	1,586	319,021
Disposals	–	–	(32,300)	–	–	(1,781)	–	–	(34,081)
1 January 2014	5,959,414	1,504,704	539,158	54,486	80,893	5,396	13,605	488,299	8,645,955
Additions	3,109	3,519	20,003	8,009	8,413	370	40	6,658	50,121
Transfer from investment properties (Note 7)	93,556	–	–	–	–	–	–	–	93,556
Transfers, net	(86,431)	424,299	–	–	–	–	–	(467,280)	(129,412)
Disposals	–	–	(912)	–	–	–	–	–	(912)
31 December 2014	**5,969,648**	**1,932,522**	**558,249**	**62,495**	**89,306**	**5,766**	**13,645**	**27,677**	**8,659,308**
Accumulated depreciation and impairment									
1 January 2013	2,461,416	1,369,549	285,432	31,633	62,380	3,199	10,467	467,280	4,691,356
Charge for the year	164,169	70,451	63,922	8,531	5,287	1,095	214	–	313,669
Acquired under business combination	56,739	–	116,860	880	5,110	270	733	–	180,592
Impairment	235,175	–	–	–	–	–	–	–	235,175
Disposals	–	–	(30,008)	–	–	(1,638)	–	–	(31,646)
1 January 2014	2,917,499	1,440,000	436,206	41,044	72,777	2,926	11,414	467,280	5,389,146
Charge for the year	130,447	27,120	60,314	8,719	6,661	812	237	–	234,310
(Reversal of impairment)/ impairment	(150,601)	–	–	278	–	–	–	–	(150,323)
Transfers, net	30,050	424,299	–	–	–	–	–	(467,280)	(12,931)
Disposals	–	–	(760)	–	–	–	–	–	(760)
31 December 2014	**2,927,395**	**1,891,419**	**495,760**	**50,041**	**79,438**	**3,738**	**11,651**	**–**	**5,459,442**
Carrying amount 31 December 2014	**3,042,253**	**41,103**	**62,489**	**12,454**	**9,868**	**2,028**	**1,994**	**27,677**	**3,199,866**
31 December 2013	3,041,915	64,704	102,952	13,442	8,116	2,470	2,191	21,019	3,256,809

All of the Group's property, plant and equipment are located in the United Arab Emirates.

5 Property, plant and equipment (continued)

The depreciation charge for the year has been allocated as follows:

	2014 AED'000	2013 AED'000
Cost of sales	**9,106**	6,222
General and administrative expenses	**225,204**	307,447
	234,310	313,669

During the year, the Group carried out a review of recoverable amounts of its property, plant and equipment. The review led to a reversal of impairment of AED 150 million (2013: impairment loss of AED 235 million) (Note 25), which has been recorded in the consolidated income statement. The recoverable amount of relevant assets has been determined on the basis of their value in use by reference to the discounted cash flow method using yield of 8% to 8.5% and discount rate of 11% to 11.5% (2013: 8.25% to 8.75% and 11%).

6 Intangible assets

	Licenses AED'000	Computer Software AED'000	Total AED'000
Cost			
1 January 2013	1,430	64,575	66,005
Additions	–	1,062	1,062
Acquired under business combination	–	975	975
1 January 2014	1,430	66,612	68,042
Additions	–	5,914	5,914
Write-off	(1,430)	–	(1,430)
31 December 2014	**–**	**72,526**	**72,526**
Accumulated amortisation			
1 January 2013	12	62,976	62,988
Charge for the year	–	1,741	1,741
Acquired under business combination	–	600	600
1 January 2014	12	65,317	65,329
Charge for the year	–	2,466	2,466
Write-off	(12)	–	(12)
31 December 2014	**–**	**67,783**	**67,783**
Carrying amount 31 December 2014	**–**	**4,743**	**4,743**
31 December 2013	1,418	1,295	2,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

7 Investment properties

Investment properties comprise completed properties (buildings, shopping malls and retail centres) and properties under development, including land under development, at fair value. Movement during the year is as follows:

	2014			2013		
	Completed properties AED'000	**Properties under development AED'000**	**Total AED'000**	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the year	**7,191,216**	**4,834,765**	**12,025,981**	3,403,959	2,674,154	6,078,113
Development costs incurred during the year	**4,975**	**948,578**	**953,553**	12,846	1,186,856	1,199,702
Acquired under business combination (Note 35)	**–**	**–**	**–**	3,560,690	1,012,584	4,573,274
Finance cost capitalised (Note 27)	**–**	**118,368**	**118,368**	–	164,925	164,925
Increase/(decrease) in fair value, net	**474,157**	**–**	**474,157**	(163,973)	(176,571)	(340,544)
Unrealised gain arising on transactions with a subsidiary	**(34,032)**	**–**	**(34,032)**	–	–	–
Disposals	**(53,814)**	**–**	**(53,814)**	–	–	–
Transfer upon completion	**4,552,305**	**(4,552,305)**	**–**	33,770	(33,770)	–
Transfers from/(to):						
Property, plant and equipment (Note 5)	**(93,556)**	**–**	**(93,556)**	–	–	–
Development work in progress (Note 11)	**844,712**	**–**	**844,712**	192,765	6,587	199,352
Inventories	**165,837**	**–**	**165,837**	151,159	–	151,159
Balance at the end of the year	**13,051,800**	**1,349,406**	**14,401,206**	7,191,216	4,834,765	12,025,981

The fair value of a building has been calculated by management with reference to discounted future estimated cash flows based on the existing lease contracts and the use of a discount rate of 10% per annum.

The fair values of the remaining investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuations were mainly determined by using the Income Capitalisation Method. The effective date of the valuation is 31 October 2014, with the exception of two properties which were valued as of 30 September 2014; management believes that there has been no significant change to the investment properties' fair values as at 31 December 2014. Refer to Note 4 for the key assumptions used.

All investment properties are located in the United Arab Emirates.

The Company conducted a sensitivity analysis for 6 largest assets in its Investment Property Portfolio with an aggregate value of AED 9.22 billion. The valuation technique used for these assets is Income Capitalization Method. The sensitivity is conducted on the Capitalization Rates and Rental Values.

Sensitivity to significant changes in unobservable inputs:

- A decrease in the Capitalization/Discount Rate by 10% would result in a AED 1,007 million or 10.9% increase in the valuation, whilst an increase in the Capitalization/Discount Rate by 10% would result in a AED 824 million or 8.9% decrease in the valuation.
- An increase in the rental rates by 10% would result in a AED 682 million or 7.4% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 682 million or 7.4% decrease in the valuation.

There are interrelationships between the unobservable inputs which are generally determined by market conditions. The valuation may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in rent may be offset by an increase in the capitalization rate, thus resulting in no net impact on the valuation. Similarly, an increase in rent in conjunction with a decrease in the capitalization rate would amplify an increase in the value.

The investment properties, both completed and properties under development, are categorised under Level 3 in the fair value hierarchy.

8 Investment in associates and joint ventures

Latest available financial information in respect of the Group's associates is summarised below:

Investee	Ownership interest	Voting power	Place of Registration	Share in underlying net assets at 1 January 2014 AED'000	Additions AED'000	Share in current year's profit/(loss) AED'000	Share in hedging reserve AED'000	Dividends received AED'000	Allocated to current account of the associates/joint ventures AED'000	Reversal of impairment/(impairment) AED'000	Disposals AED'000	Share in underlying net assets at 31 December 2014 AED'000
Associates												
Green Emirates Properties PJSC	40%	40%	Abu Dhabi	74,406	–	5,351	–	–	–	6,000	–	85,757
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	3,382	–	(259)	–	–	–	(3,123)	–	–
Al Maabar International Investments LLC[(i)]	40%	40%	Abu Dhabi	172,551	–	(14,590)	–	–	–	–	(157,961)	–
Iskandar Holdings Ltd	19%	19%	Cayman Islands	33,586	–	–	–	(26,725)	–	–	–	6,861
Al Sdeirah Real Estate Company LLC	30%	30%	Abu Dhabi	33,722	–	5,175	–	–	–	–	–	38,897
Al Fayafi Al Khadra Company LLC	40%	40%	Abu Dhabi	800	–	–	–	–	–	–	–	800
World-Class Initiatives and Standards in Education LLC	20%	20%	Abu Dhabi	10,000	–	–	–	–	–	–	–	10,000
Bunya LLC	33%	33%	Abu Dhabi	–	–	(5,000)	–	–	5,000	–	–	–
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	120,577	–	10,162	–	–	–	–	–	130,739
				449,024	–	839	–	(26,725)	5,000	2,877	(157,961)	273,054
Joint ventures												
Aldar Laing O'Rourke Construction LLC	51%	50%	Abu Dhabi	34,856	–	10,644	–	(45,500)	–	–	–	–
Aldar Besix LLC	51%	50%	Abu Dhabi	15,984	–	46	–	–	–	–	–	16,030
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	345,134	–	67,349	(2,248)	–	–	–	–	410,235
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	27,616	–	(1,127)	–	(4,997)	–	–	–	21,492
Royal House LLC	50%	50%	Abu Dhabi	–	–	(7,469)	–	(6,803)	14,272	–	–	–
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	71,082	–	13,451	–	–	–	–	–	84,533
Aldar Etihad Development LLC	50%	50%	Abu Dhabi	84,154	–	22,447	–	–	–	–	–	106,601
Galaxy Building Materials	45%	50%	Abu Dhabi	20,614	–	(10,174)	–	–	–	–	–	10,440
S & T District Cooling Co. LLC	50%	50%	Abu Dhabi	49	–	–	–	–	–	–	–	49
				599,489	–	95,167	(2,248)	(57,300)	14,272	–	–	649,380
				1,048,513	–	96,006	(2,248)	(84,025)	19,272	2,877	(157,961)	922,434

(i) During the year, the Company disposed one of its investments in associates and recognised a profit of AED 42.0 million (2013: AED 3.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

8 Investment in associates and joint ventures (continued)

Latest available financial information in respect of the Group's associates is summarised below:

	2014 AED'000	2013 AED'000
Total assets	2,849,518	4,871,059
Total liabilities	(2,072,601)	(3,820,624)
Net assets	776,917	1,050,435
Group's share of net assets of associates	273,054	449,024
Total revenue	168,679	201,488
Total profit/(loss) for the year	9,995	(107,852)

Latest available financial information in respect of the Group's joint ventures is summarised below:

	2014 AED'000	2013 AED'000
Total assets	2,947,613	2,937,518
Total liabilities	(1,900,290)	(1,932,034)
Net assets	1,047,323	1,005,484
Group's share of net assets of joint ventures	649,380	599,489
Total revenue	338,735	487,706
Total profit for the year	191,104	198,665

9 Available-for-sale (AFS) financial assets

	2014 AED'000	2013 AED'000
Investment in UAE quoted securities	34,170	11,526
Investment in UAE unquoted securities	35,201	45,562
Investment in international unquoted securities	38,636	45,554
	108,007	102,642

Movement during the year is as follows:

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	102,642	151,461
Additions	4,315	14,222
Disposals	(9,646)	–
Fair value gain during the year, net	10,696	1,213
Acquired under business combination	–	95,746
Transferred to investments in associates	–	(160,000)
Balance at the end of the year	108,007	102,642

Subject to the Group's overall operating strategy, the Group intends to dispose of these investments in the normal course of business if a favourable price is offered.

During the year, dividend income received from AFS financial assets amounted to AED 7.3 million (31 December 2013: AED 4.9 million).

In addition, during the year, one of the investments was publicly listed and commenced trading on the secondary market for private companies of Abu Dhabi Securities Exchange (ADX). Accordingly, this investment has been classified under quoted securities.

10 Trade and other receivables

	2014 AED'000	2013 AED'000
Non-current portion		
Trade receivables (Note 10.1)	6,935	407,525
Less: Provision for impairment and cancellations	(6,935)	(29,322)
	–	378,203
Receivable from project finance (Note 10.3)	163,588	490,265
Receivable from the Government of Abu Dhabi (Note 10.4)	655,458	2,106,909
Due from joint ventures (Notes 10.5)	101,937	112,067
Other	14,000	14,000
	934,983	3,101,444
Current portion		
Trade receivables (Note 10.1)	2,518,957	2,592,322
Less: Provision for impairment and cancellations	(548,842)	(564,117)
	1,970,115	2,028,205
Refundable costs (Note 10.2)	2,107,207	2,785,587
Receivable from project finance (Note 10.3)	17,927	101,493
Receivable from the Government of Abu Dhabi (Note 10.4)	2,055,347	3,802,512
Due from joint ventures (Notes 10.5)	366,020	342,117
Gross amount due from customers on construction contracts (Note 10.6)	414,792	141,488
Advances and prepayments	1,060,737	617,950
Accrued interest	10,148	8,230
Other	682,132	460,150
	8,684,425	10,287,732

10.1 Trade receivables

Trade receivables represent mainly the amounts due from sales of plots of land, properties and revenue from construction contracts. At the end of the year, 55% of the trade receivables (31 December 2013: 40% of the trade receivables) is due from its top five customers. Concentration of credit risk is mitigated due to the fact that the customers have already made instalment payments, in some cases substantial, on the plots, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover losses incurred by the Group.

Interest is charged at 12% per annum on the outstanding past due amounts from sales of plots and properties. No collateral is taken on trade receivables.

Ageing of trade receivables

	2014 AED'000	2013 AED'000
Not past due	842,823	1,323,682
Not past due but impaired	6,935	29,322
Past due but not impaired (more than 180 days)	1,127,292	1,082,726
Past due and impaired (more than 180 days)	548,842	564,117
Total trade receivables	2,525,892	2,999,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

10 Trade and other receivables (continued)

Movement during the year in provision for impairment and cancellations in trade receivables is as follows:

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	**593,439**	114,819
Acquired under business combination	**–**	384,139
Impairment recognised during the year (Note 25)	**28,033**	115,718
Released upon cancellation of sales	**(65,695)**	(21,237)
Balance at the end of the year	**555,777**	593,439

10.2 Refundable costs

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation with development of infrastructure of various projects and real estate developments. These amounts will be refunded by the relevant Government Authorities upon completion.

10.3 Receivable from project finance

	Minimum payments		Present value of minimum payments	
	2014 AED'000	2013 AED'000	**2014 AED'000**	2013 AED'000
Amounts receivable from project finance:				
Within one year	**21,854**	107,525	**17,927**	101,493
In the second to fifth year	**76,017**	348,715	**51,249**	245,639
After five years	**308,963**	657,188	**112,339**	244,626
	406,834	1,113,428	**181,515**	591,758
Less: unearned finance income	**(225,319)**	(521,670)	**–**	–
Present value of minimum payments receivable	**181,515**	591,758	**181,515**	591,758
Non-current receivables			**163,588**	490,265
Current receivables			**17,927**	101,493
			181,515	591,758

During the year, a receivable from project finance amounting to AED 337 million was settled.

10.4 Receivable from the Government of Abu Dhabi

Receivable from the Government of Abu Dhabi represents the amount receivable against certain assets sold in 2009 and 2011 and the recognition of land plots handed over.

10.5 Due from joint ventures

	Non-current		Current	
	2014 AED'000	2013 AED'000	**2014 AED'000**	2013 AED'000
Gross receivables	**169,429**	172,005	**382,151**	358,248
Less: Provision for impairment	**(67,492)**	(59,938)	**(16,131)**	(16,131)
	101,937	112,067	**366,020**	342,117

10 Trade and other receivables (continued)

10.6 Construction contracts

Contracts in progress at the end of the year:

	2014 AED'000	2013 AED'000
Amount due from customers on construction contracts included in trade and other receivables	**414,792**	141,488
Amount due to customers on construction contracts included in trade and other payables (Note 20)	**(113,341)**	(158,167)
	301,451	(16,679)
Total contracts cost incurred plus recognised profits less recognised losses to date	**8,253,294**	9,143,587
Less: total progress billings to date	**(7,951,843)**	(9,160,266)
	301,451	(16,679)

11 Development work in progress

Development work in progress represents development and construction costs incurred on properties being constructed for sale. Movement during the year is as follows:

	2014 AED'000	2013 AED'000
Balance at beginning of the year	**4,310,918**	4,222,729
Acquired under business combination	**–**	4,565,100
Development costs incurred during the year	**300,921**	363,276
Finance costs capitalised	**–**	24,294
Disposal under finance lease during the year	**–**	(30,776)
Derecognised on disposal of a subsidiary (Note 37)	**(44,333)**	–
Transfers (to)/from:		
Investment properties (Note 7)	**(844,712)**	(199,352)
Refundable costs	**22,419**	(22,626)
Projects completed during the year:		
Transferred to inventories (Note 12)	**(675,260)**	(3,813,034)
Recognised in direct costs	**(165,757)**	(292,076)
Impairments/write-offs of project costs (Note 25)	**(33,201)**	(506,617)
Balance at the end of the year	**2,870,995**	4,310,918

During the year, project costs previously incurred on specific developments were written-off as a result of a change in master plans/projects put on hold.

All development work in progress projects are located in the United Arab Emirates.

12 Inventories

	2014 AED'000	2013 AED'000
Completed properties	**913,408**	3,487,584
Other operating inventories	**29,651**	26,868
	943,059	3,514,452

During the year, an impairment of a completed property of AED 108.7 million was reversed as the net realisable value exceeded the previously assessed recoverable amount; the property was disposed of during the year. This was offset by the impairment of another completed property of AED 2.7 million as the costs were no longer recoverable (Note 25).

Properties of AED 675.3 million were transferred to inventories upon completion (Note 11).

Completed properties in inventories are located in the United Arab Emirates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

13 Cash and cash equivalents

	2014 AED'000	2013 AED'000
Cash and bank balances	**1,894,064**	2,630,213
Short term deposits held with banks	**2,770,297**	1,663,868
	4,664,361	4,294,081
Short term deposits with original maturities greater than three months	**(621,779)**	(1,078,103)
Restricted bank balances	**(916,595)**	(1,138,371)
	3,125,987	2,077,607

During the year, the Group held amounts related to community service charges and security deposits on behalf of the owners of units in certain buildings or communities that are managed by the Group. At the end of the reporting period, an amount of AED 621.9 million is not included in the Group's bank balances and cash as it is held by the Group on behalf of third parties.

The interest rate on term deposits ranges between 0.55% and 2.00% (2013: 0.25% and 3.20%) per annum. All fixed deposits are placed with local banks in the United Arab Emirates.

14 Share capital

Share capital comprises 7,862,629,603 (2013: 7,862,629,603) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

15 Statutory reserve

In accordance with its Articles of Association and the UAE Federal Law No. (8) of 1984, as amended, 10% of the profit of the Company is transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital of the Company.

16 Non-convertible bonds and Sukuk

	Outstanding at 31 December 2014				Outstanding at 31 December 2013			
	Sukuk-Al- Ijarah[(a)] AED'000	**Corporate Bonds[(b)] AED'000**	**Sukuk-Al- Ijarah[(c)] AED'000**	**Total AED'000**	Sukuk-Al-Ijarah[(a)] AED'000	Corporate Bonds[(b)] AED'000	Sukuk-Al-Ijarah[(c)] AED'000	Total AED'000
Proceeds from issue	**–**	**–**	**2,755,125**	**2,755,125**	–	4,590,000	2,755,125	7,345,125
Gross issue costs	**–**	**–**	**(17,731)**	**(17,731)**	–	(30,366)	(10,332)	(40,698)
Less: Amortisation of issue costs up to year end	**–**	**–**	**4,323**	**4,323**	–	27,852	–	27,852
Unamortised issue costs	**–**	**–**	**(13,408)**	**(13,408)**	–	(2,514)	(10,332)	(12,846)
Add: Profit distribution up to year end	**–**	**–**	**9,983**	**9,983**	–	47,972	9,313	57,285
Carrying amount	**–**	**–**	**2,751,700**	**2,751,700**	–	4,635,458	2,754,106	7,389,564
Less: Current portion	**–**	**–**	**(9,983)**	**(9,983)**	–	(4,635,458)	(9,313)	(4,644,771)
Non-current portion	**–**	**–**	**2,741,717**	**2,741,717**	–	–	2,744,793	2,744,793
Total finance costs capitalised during the year	**–**	**–**	**72,733**	**72,733**	18,907	68,375	–	87,282

(a) During 2008, the Group issued non-convertible bonds in the form of Trust Certificates/Sukuk- al-Ijarah (the "non-convertible Sukuk") for a total value of AED 3.75 billion. The non-convertible Sukuk were structured to conform to the principles of Islamic Sharia. The non-convertible Sukuk had a profit rate of 3 months EIBOR plus 1.75% per annum paid quarterly and was fully repaid on 17 June 2013.

(b) In May 2009, the Group issued non-convertible Corporate Bonds for a total value of AED 4.59 billion (USD 1.25 billion). The bonds had an interest rate of 10.75% per annum payable semi-annually and were fully redeemed on 27 May 2014.

(c) In December 2013, the Group issued non-convertible Sukuk (Ijarah) for a total value of AED 2.75 billion (USD 750 million). The Sukuk has a profit rate of 4.348% per annum payable semi-annually and is due for repayment in December 2018.

17 Bank borrowings

	Outstanding amount								
	Current	**Non-current**	**Total**	**Unused facility**	**Security**	**Interest rate**	**Maturity**	**Purpose**	**Capitalised interest**
	AED’000	**AED’000**	**AED’000**	**AED’000**					**AED’000**
31 December 2014:									
Government loan	**80,724**	**242,173**	**322,897**	**–**	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	**–**
Term loan	**–**	**280,000**	**280,000**	**–**	Secured	relevant EIBOR + 1.30%	July 2019	Refinancing of debts	**738**
Term loan	**–**	**–**	**–**	**–**	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	**700**
Revolving loan	**–**	**–**	**–**	**120,000**	Secured	relevant EIBOR + 1.25%	July 2017	Refinancing of debts	**–**
Murabaha financing	**–**	**–**	**–**	**–**	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	**191**
Murabaha financing	**–**	**–**	**–**	**–**	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	**104**
Murabaha financing	**–**	**–**	**–**	**–**	Secured	3 months EBOR + 2.75%	May 2014	Al Bateen Park	**917**
Term loan	**–**	**600,000**	**600,000**	**–**	Secured	relevant EIBOR + 1.35%	July 2019	Refinancing of debts	**2,931**
Revolving loan	**–**	**153,817**	**153,817**	**746,183**	Secured	relevant EIBOR + 1.25%	July 2017	Refinancing of debts	**–**
Term loan	**–**	**160,000**	**160,000**	**–**	Secured	relevant EIBOR + 1.40%	June 2019	Refinancing of debts	**422**
Revolving loan	**–**	**–**	**–**	**240,000**	Secured	relevant EIBOR + 1.30%	June 2017	Refinancing of debts	**–**
Term Loan	**–**	**1,377,000**	**1,377,000**	**–**	Secured	3 months LIBOR + 1.4%	November 2016	General corporate purpose	**5,356**
Term loan	**152,083**	**1,112,118**	**1,264,201**	**–**	Secured	3 months LIBOR + 1.4%	November 2018	General corporate purpose	**5,356**
Ijarah facility	**–**	**280,000**	**280,000**	**–**	Secured	relevant EIBOR + 1.40%	July 2019	General corporate purpose	**–**
Ijarah facility	**–**	**–**	**–**	**420,000**	Secured	relevant EIBOR + 1.30%	July 2017	General corporate purpose	**–**
Ijarah facility	**–**	**–**	**–**	**–**	Secured	3 months EBOR + 3.40%	April 2015*	General corporate purpose	**9,792**
Murabaha facility	**–**	**–**	**–**	**120,000**	Secured	relevant EIBOR + 1.30%	3 years from 1st Murabaha settlement	General corporate purpose	**–**
Murabaha facility	**–**	**–**	**–**	**–**	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	**2,674**
Revolving loan	**1,000,000**	**–**	**1,000,000**	**–**	Secured	3 months EBOR + 1.50%	January 2015	General corporate purpose	**11,548**
Lease facility	**–**	**80,000**	**80,000**	**–**	Secured	relevant EIBOR + 1.40%	December 2019	General corporate purpose	**–**
Term loan	**312,500**	**625,000**	**937,500**		Secured	3 months EBOR + 1%	December 2017	General corporate purpose	**4,906**
Unamortised borrowing cost	**–**	**(54,608)**	**(54,608)**	**–**					
Accrual for interests and profits	**17,091**	**–**	**17,091**	**–**					
	1,562,398	**4,855,500**	**6,417,898**	**1,646,183**					**45,635**
31 December 2013:									
Government loan	–	315,879	315,879	–	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	–
Term loan	28,550	111,064	139,614	–	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	–
Murabaha financing	33,214	–	33,214	–	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	515
Murabaha financing	18,000	–	18,000	–	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	277
Murabaha financing	120,301	–	120,301	–	Secured	3 months EBOR + 2.75%	May 2014	Al Bateen Park	2,269
Term loan	89,630	–	89,630	–	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	3,268
Ijarah facility	500,000	–	500,000	–	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	7,448
Ijarah facility	–	500,000	500,000	–	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	7,448
Ijarah facility	–	500,000	500,000	–	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	7,448
Murabaha facility	300,000	–	300,000	–	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	4,469
Wakala agency loan	37,500	215,625	253,125	–	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	–
Revolving loan	2,250,000	1,000,000	3,250,000	–	Secured	3 months EBOR + 1.50%	January 2015	General corporate purpose	32,028
Mudaraba facility	29,384	323,224	352,608	–	Secured	6 months EBOR + 2.5%	March 2016	General corporate purpose	51
Term loan	–	–	–	–	Secured	3 months USD LIBOR + 2.0%	October 2013	General corporate purpose	8,013
Ijarah facility	–	–	–	–	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	3,831
Club loan	–	–	–	–	Secured	3 months EBOR + 2.45%	September 2014	General corporate purpose	24,241
Term loan	–	–	–	1,377,000	Secured	3 months LIBOR + 1.4%	November 2016	General corporate purpose	–
Term loan	–	–	–	1,377,000	Secured	3 months LIBOR + 1.4%	November 2018	General corporate purpose	–
Term loan	–	–	–	1,250,000	Secured	3 months EBOR + 1%	December 2017	General corporate purpose	–
Unamortised borrowing cost	(15,140)	(1,043)	(16,183)	–					–
Accrual for interests and profits	40,103	–	40,103	–					–
	3,431,542	2,964,749	6,396,291	4,004,000					101,306

(*) The full loan balance was prepaid during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

17 Bank borrowings (continued)

The borrowings are repayable as follows:

	2014 AED'000	2013 AED'000
Current		
Within one year	**1,562,398**	3,431,542
Non-current		
In the second to fifth year	**4,855,500**	2,964,749
	6,417,898	6,396,291

The Group assumed through the acquisition of Sorouh (disclosed in Note 35) an AED 2.7 billion four-year club loan facility consisting of a term loan and revolving credit, with both conventional and Islamic tranches, and secured by certain assets. The loan was prepaid in full in December 2013.

The Group assumed through the acquisition of Sorouh (disclosed in Note 35) a loan of AED 5.9 million. The loan was at an interest at the rate of 6 months EIBOR plus a margin of 1.25% per annum and was repayable over 7 years. The loan was secured by a mortgage over the villas of one of the development projects. The loan was paid in full in December 2013.

In March 2012, the Group signed a revolving facility from a local bank for AED 4.0 billion bearing interest of EBOR + 1.5% margin of which tranche A of AED 3.0 billion was repayable on 31 January 2014 and tranche B of AED 1.0 billion on 31 January 2015. The Group drew down a total of AED 3.25 billion and the remaining AED 750 million remained undrawn. During the year, the Group repaid the full tranche A outstanding balance of AED 2.25 billion while tranche B outstanding balance of AED 1.0 billion was repaid in January 2015.

In November 2013, the Group signed a term loan facility from a local bank for AED 1.25 billion bearing interest of EIBOR plus 1% margin and repayable in four equal installments commencing 15 December 2014. This loan is secured by assignment of Government receivables. The full balance was drawn as of 31 December 2014. Also, in November 2013, the Group signed a term loan facility from a local bank for USD 750 million (AED 2.75 billion) bearing interest of LIBOR plus 1.4 % margin of which USD 375 million (50%) is repayable in one bullet payment in November 2016 and the remaining USD 375 million is repayable in quarterly instalments until November 2018. The full balance was drawn as of 31 December 2014.

In July 2014, the Group signed bilateral facilities with local banks for AED 3.2 billion, bearing average interest of EIBOR plus 1.31% margin/profit. The facilities comprise AED 1.8 billion revolving credit facilities for a tenor of 3 years and AED 1.4 billion term loans for a tenor of 5 years, all repayable as bullets. These loans are secured, and as at 31 December 2014, the Group has drawn AED 1.55 billion and AED 1.65 billion remained committed and undrawn.

Loan securities are in the form of mortgage over plots of land, assignment of project receivables and lien on bank deposits. Certain Group's borrowings carry a net worth covenant.

Borrowings repaid during the year amounted to AED 10.44 billion.

18 Provision for end of service benefit

Movement in the provision for end of service benefit is as follows:

	2014 AED'000	2013 AED'000
Balance at the beginning of the year	96,901	53,413
Assumed under business acquisition (Note 35)	–	44,977
Charge for the year (Note 24)	12,523	19,836
Paid during the year	(7,505)	(21,325)
Balance at the end of the year	101,919	96,901

19 Advances from customers

Advances from customers represent installments collected from customers for the sale of the Group's property developments. This also includes net advances received from the Government of Abu Dhabi (Note 31) amounting to AED 415.4 million (2013: AED 1,378.4 million).

20 Trade and other payables

	2014 AED'000	2013 AED'000
Trade payables	426,198	406,194
Accrual for contractors' costs	2,159,456	2,061,075
Accrual for infrastructure costs	263,918	279,606
Advances from the Government	4,311,156	4,078,090
Deferred income	361,216	202,668
Dividends payable	92,359	78,093
Provision for onerous contracts	83,363	126,933
Gross amounts due to contract clients (Note 10.6)	113,341	158,167
Deferred government grant	–	376,928
Other liabilities	685,397	815,298
	8,496,404	8,583,052

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

21 Revenue

	2014 AED'000	2013 AED'000
Property development and sales	**3,796,802**	3,377,357
Income from operating businesses	**2,754,276**	2,002,400
	6,551,078	5,379,757

22 Direct costs

	2014 AED'000	2013 AED'000
Cost of properties sold	**3,328,837**	2,322,348
Direct costs for operating businesses	**1,703,835**	1,293,352
	5,032,672	3,615,700

23 Selling and marketing expenses

	2014 AED'000	2013 AED'000
Corporate advertising	**23,761**	9,242
Exhibitions and sponsorships	**6,471**	2,824
Project marketing	**2,156**	58
Other	**3,152**	46
	35,540	12,170

24 Staff costs

	2014 AED'000	2013 AED'000
Salaries, bonuses and other benefits	**589,383**	682,144
Staff training and development	**6,165**	3,886
Post-employment benefit (Note 18)	**12,523**	19,836
	608,071	705,866
Staff costs allocated to:		
Projects under development	**21,573**	26,426
Direct operating costs	**355,272**	429,622
General and administrative expenses	**231,226**	249,818
	608,071	705,866

25 Reversal/(provisions, impairments and write downs), net

	2014 AED'000	2013 AED'000
Reversal of impairment/(impairment) of property, plant and equipment (Note 5)	**150,323**	(235,175)
Provision for trade and other receivables (Note 10.1)	**(28,033)**	(115,718)
Write down of development work in progress (Note 11)	**(33,201)**	(506,617)
Reversal of impairment/(write down) of inventories (Note 12)	**105,940**	(33,448)
Reversal of impairment of investment in an associate (Note 8)	**2,877**	–
Write-off of refundable costs	**–**	(230,536)
Others	**(1,423)**	(14,503)
	196,483	(1,135,997)

26 Finance income

	2014 AED'000	2013 AED'000
Interest and profit income:		
Islamic deposits	**7,482**	6,163
Bank fixed deposits	**11,508**	15,359
Call and current accounts	**812**	797
Gross income	**19,802**	22,319
Financing element earned on receivables, net	**49,103**	99,408
Financing income earned on receivables from project finance	**34,130**	56,957
Other finance income	**7,552**	7,553
	110,587	186,237

Finance income earned on financial assets, analysed by category of asset is as follows:

	2014 AED'000	2013 AED'000
Loans and receivables	**90,785**	163,918
Cash and bank balances	**19,802**	22,319
	110,587	186,237

27 Finance costs

	2014 AED'000	2013 AED'000
Gross costs	**490,297**	907,822
Less: Amounts included in the cost of qualifying assets(i)	**(118,368)**	(189,219)
	371,929	718,603
Recycling of hedging reserve loss	**9,866**	8,417
	381,795	727,020

(i) The weighted average capitalisation rate of funds borrowed is 1.16% (2013: 1.48%) per annum.

28 Other income

	2014 AED'000	2013 AED'000
Reversal for project provisions and cost recoveries	**63,405**	1,157
Government grant income recognised upon handover of units in the Gate Tower (Note 31.1.b)	**346,928**	95,961
Government grant income recorded upon handover of infrastructure assets (Note 31.1.c)	**311,128**	434,841
Government grant income related to costs recovered from Government (Note 31.2)	**83,121**	70,000
Other	**48,998**	28,405
	853,580	630,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

29 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014	2013
Earnings (AED'000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**2,235,136**	2,246,294
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,862,629,603**	6,617,976,154

30 Dividends

At the annual general assembly held on 26 March 2014, the Shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 0.07 per share for a total of AED 550.4 million. The Board of Directors propose a cash dividend of AED 0.09 per share for 2014. The proposed dividend is subject to the approval of the Shareholders at the annual general assembly.

31 Transactions and balances with related parties

Related parties include the Company's major shareholders, Directors and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel. The Government of Abu Dhabi, through entities controlled, or jointly controlled by the Government of Abu Dhabi (together referred to as "Government") is a major shareholder in the Company.

Related party balances:

	2014 AED'000	2013 AED'000
Due from/(to) Government:		
Refundable costs (Note 10.2)	**2,107,207**	2,785,587
Receivable from assets sold (Note 10)	**2,710,805**	5,909,421
Other receivables	**172,265**	130,759
	4,990,277	8,825,767
Advances received (Note 19 and 20)	**(4,726,603)**	(5,456,502)
Due from associates and joint ventures (Note 10.5)	**467,957**	454,184
Due to joint ventures for project-related work:		
Contract payables	**(32,692)**	(32,692)
Retention payables	**(815)**	(815)
	(33,507)	(33,507)

Certain receivables from joint ventures carry interest of 9% and are repayable within 2 to 5 years from the end of the year.

	2014 AED'000	2013 AED'000
Due from/(to) major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 10.3)	**146,783**	555,101
Due to a major shareholder, net	**(126,714)**	(99,214)
	20,069	455,887

31 Transactions and balances with related parties (continued)

Significant transactions with related parties during the year are as follows:

	2014 AED'000	2013 AED'000
Key management compensation:		
Salaries, bonuses and other benefits	**14,866**	18,521
Post-employment benefits	**689**	2,012
	15,555	20,533
Directors remuneration paid	**23,999**	16,000

	2014 AED'000	2013 AED'000
Income from Government and major shareholder owned by Government:		
Revenue from sale of land and properties	**1,253,327**	1,812,013
Project management income	**63,811**	47,497
Rental income	**242,797**	239,476
Government grant income (Note 28)	**741,177**	600,802
	2,301,112	2,699,788
Work provided by joint ventures	**311**	3,042
Finance income from project finance and joint ventures	**38,543**	63,723

31.1 In January 2013, Sorouh announced that the Government of Abu Dhabi had agreed to reimburse up to AED 1.6 billion of infrastructure costs, and to purchase units in the Gate Towers development for AED 1.6 billion. As of 31 December 2014, AED 2.9 billion has been received. These transactions have been accounted for as follows:

a) AED 1.6 billion of the amount received has been recorded as an advance received from Government, included in "advances from customers" and AED 1.3 billion has been recorded as "advances from the Government of Abu Dhabi" under trade and other payables. As of 31 December 2014, the balance in "advances from the customers" is AED Nil (Note 19) and AED 554.0 million in "advances from the Government of Abu Dhabi" (Note 20).

b) The difference between the selling price of units in the Gate Towers and the fair market price has been recorded as a deferred government grant under trade and other payables (Note 20). This will be recognised in profit or loss upon handover of the units. During the year, an amount of AED 346.9 million was recognised as government grant income upon handover of units.

c) The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant in the consolidated statement of financial position. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised as other income in profit or loss. During the year, an amount of AED 311.1 million was recognised as government grant income, recorded under other income in the consolidated income statement, upon handover of infrastructure assets.

31.2 During the year the Group recognised AED 83.1 million (2013: AED 70.0 million) as government grant income being compensations received for certain costs previously incurred.

31.3 Outstanding borrowings of AED 3,534.2 million (31 December 2013: AED 5,575.8 million) are due to the Government and banks controlled by the Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

32 Commitments and contingencies

32.1 Capital commitments

Capital expenditure contracted but not yet incurred at the end of the year is as follows:

	2014 AED'000	2013 AED'000
Projects under development	420,169	390,628
Reimbursable project works in progress	5,466,525	6,488,606
Investment in associates	79,569	83,885
Other	4,090	7,259
	5,970,353	6,970,378

The above commitments are spread over a period of one to five years.

The Group has paid an amount of AED 937.1 million (2013: AED 408.9 million) as advances to the suppliers and contractors against the above commitments.

32.2 Operating lease commitments

The Company has leased out certain buildings. The amounts of committed future lease inflows are as follows:

The Company as lessor

	2014 AED'000	2013 AED'000
Buildings:		
Within one year	183,188	257,122
In the second to fifth year	642,445	1,009,808
After five years	173,726	298,110
	999,359	1,565,040

The Company as lessee

The Company has annual operating lease commitments with respect to rental of land and buildings. The minimum lease payments are as follows:

	2014 AED'000	2013 AED'000
Land:		
Within one year	43,599	41,724
In the second to fifth year	132,180	150,058
After five years	360,493	381,083
	536,272	572,865

The Group does not have the option to purchase the leased premises at expiry of the lease period but the lease can be renewed upon mutual agreements of both parties.

32.3 Contingencies

Letters of credit and bank guarantees

	2014 AED'000	2013 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	497,516	372,403
Group's share in contingencies of joint ventures	243,039	203,467

During 2012, a contractor lodged a claim, which was unsubstantiated in the notice, for AED 300 million, allegedly for an extension of time and works performed and not paid.

33 Financial instruments

33.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

33.2 Categories of financial instruments

	2014 AED'000	2013 AED'000
Financial assets		
Available-for-sale financial assets	**108,007**	102,642
Loans and receivables (including cash and bank balances)	**13,223,032**	17,065,307
Total	**13,331,039**	17,167,949
Financial liabilities		
Financial liabilities measured at cost	**14,122,471**	19,407,431
Derivative instruments in designated hedge accounting relationship	**29,512**	36,545
Total	**14,151,983**	19,443,976

33.3 Financial risk management

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks based on internally developed models, benchmarks and forecasts. The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group analyses financial risks under the following captions:

33.4 Capital risk management

Capital risk is the risk that the Group is not able to manage its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

The Group's capital structure comprises borrowings disclosed in Notes 16 and 17, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and accumulated losses as disclosed in the consolidated statement of changes in equity.

The Group monitors and adjusts its capital structure with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, rigorous investment appraisals and maintaining high standards of business conduct.

Key financial measures that are subject to regular review include cash flow projections and assessment of their ability to meet contracted commitments, projected gearing levels and compliance with borrowing covenants, although no absolute targets are set for these.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

33 Financial instruments (continued)

33.4 Capital risk management (continued)

The Group monitors its cost of debt on a regular basis. At 31 December 2014, the weighted average cost of debt was 2.65% (2013: 5.89%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of six (2013: two) borrowing arrangements require the Group maintaining a minimum equity of AED 6.0 billion.

33.5 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

a) Foreign currency risk management

The Group has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The Group's currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the Group consolidated accounts at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

Foreign currency sensitivity analysis

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2014 AED'000	2013 AED'000	**2014 AED'000**	2013 AED'000
US Dollar	**5,400,249**	7,350,102	**942,762**	369,821
Pound Sterling(i)	**131**	–	**–**	–
Euro(ii)	**432**	434	**–**	–
	5,400,812	7,350,536	**942,762**	369,821

There is no significant impact on US Dollar as the UAE Dirham is pegged to the US Dollar.

Based on the sensitivity analysis, to a 20% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

i. there is AED 26 thousand (2013: AED nil) net revaluation gain/(loss) on the Pound Sterling outstanding balances.

ii. there is AED 86 thousand (2013: AED 87 thousand) net revaluation gain/(loss) on the Euro outstanding balances.

33 Financial instruments (continued)

33.5 Market risk management (continued)

b) Interest rate risk management

The Company is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 13, 16, and 17.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2014 would decrease/increase by AED 39.3 million (2013: profit decrease/increase by AED 46.9 million). The Company's sensitivity to interest rates has decreased due to significant loan repayments during the year.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

Cash flow hedges

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

The Group's derivative financial instruments were contracted with counterparties operating in the United Arab Emirates.

33.6 Credit risk management

Credit risk in relation to the Group, refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and bank and cash balances and derivative financial assets (liquid assets).

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by having received instalment payments, in some cases substantial, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover the losses incurred by the Group.

At 31 December 2014, 100% (2013: 100%) of the deposits were placed with 6 banks. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank.

Trade and other receivables and balances with banks are not secured by any collateral. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

33 Financial instruments (continued)

33.7 Liquidity risk management

The responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and committed borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial assets and liabilities based on the earliest date on which the Group can be required to pay or collect. The table includes both interest and principal cash flows. Maturity profile of non-derivative financial assets and liabilities at the end of the reporting period is as follows:

	Effective interest rate	< 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
31 December 2014:							
Financial assets							
Non-interest bearing instruments	**–**	**1,204,751**	**135,161**	**6,524,069**	**879,403**	**–**	**8,743,384**
Receivables from project finance	**8.06%**	**–**	**5,125**	**16,729**	**76,017**	**308,964**	**406,835**
Variable interest rate instruments	**Note 13**	**1,153,724**	**1,905,499**	**1,615,286**	**–**	**–**	**4,674,509**
Total		**2,358,475**	**2,405,785**	**8,156,084**	**955,420**	**308,964**	**13,824,728**
Financial liabilities							
Non-interest bearing instruments[1]	**–**	**112,375**	**2,791,525**	**1,919,241**	**16,490**	**–**	**4,839,631**
Non-convertible bonds	**Note 16**	**9,983**	**–**	**–**	**2,755,125**	**–**	**2,765,108**
Variable interest rate instruments	**Note 17**	**1,007,109**	**38,021**	**517,269**	**4,910,107**	**–**	**6,472,506**
Derivative instruments		**1,136**	**–**	**–**	**28,376**	**–**	**29,512**
Total		**1,130,603**	**2,829,546**	**2,436,510**	**7,710,098**	**–**	**14,106,757**
31 December 2013:							
Financial assets							
Non-interest bearing instruments	–	350,934	22,882	9,790,428	2,407,941	–	12,572,185
Receivables from project finance	11.25%	–	17,466	84,026	245,639	244,626	591,757
Variable interest rate instruments	Note 13	2,629,728	586,250	2,209,495	–	–	5,425,473
Total		2,980,662	626,598	12,083,949	2,653,580	244,626	18,589,415
Financial liabilities							
Non-interest bearing instruments[1]	–	229	452,510	4,866,274	1,388,157	–	6,707,170
Non-convertible bonds	Note 16	–	–	10,332	2,727,290	–	2,737,622
Fixed interest rate instruments	4%	–	–	–	–	–	–
Variable interest rate instruments	Note 17	–	–	3,429,166	2,930,580	–	6,359,746
Derivative instruments		–	–	2,376	1,136	33,033	36,545
Total		229	452,510	8,308,148	7,047,163	33,033	15,841,083

(1) Including security deposits from customers.

34 Fair value of financial instruments

Except as disclosed in the following table, Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	As at 31 December 2014	
	Gross Carrying amount AED'000	Fair value AED'000
Financial liabilities at amortised cost		
Sukuk-al-Ijarah (Note 16)	**2,755,125**	**2,872,218**

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2014, the Group's financial assets that are stated at fair value are grouped as follows:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Available-for-sale investments				
Equities	**34,170**	**73,837**	**–**	**108,007**

During the year, one of the investments got listed and commenced trading on the secondary market for private companies of Abu Dhabi Securities Exchange (ADX). Accordingly, this investment has been transferred from level 2 to level 1 (Note 9).

The fair values of derivative instruments amounting to AED 30 million pertaining to interest rate swap are determined by independent valuers (see Note 33.5) and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. The derivative instruments are categorised as level 2.

35 Business combination

On 27 June 2013, the Company acquired 100% ownership interest in Sorouh Real Estate PJSC through a share exchange. Accordingly, the ownership interest in the following entities which were subsidiaries of Sorouh Real Estate PJSC, was transferred to the Company.

Name of subsidiaries	Principal activity	Proportion of voting equity interests acquired
Gate Towers Shams Abu Dhabi LLC	Development of Gate Towers	100%
Sorouh Abu Dhabi Real Estate LLC	Act as Mudareb in accordance with the Sukuk Issue structure	100%
Sorouh International Limited	Holding company of foreign entities	100%
Sorouh International Development Limited	Development of properties and real estate	100%
Sorouh International Morocco Limited	Development of properties and real estate	100%
Lulu Island for Project Development LLC	Development of properties and real estate	100%
Tilal Liwa Real Estate Investing LLC	Property, rental and management	100%
Al Seih Real Estate Management LLC	Management and leasing of real estate; real estate projects investment	91.4%
Seih Sdeirah Real Estate L.L.C.	Property rental and management; real estate projects investment	91.4%
Sorouh Egypt for Investment and Tourism Development	Investment in tourism activity	80%
Khidmah LLC	Management and leasing of real estate	60%
Pivot Engineering & General Contracting Co. (WLL)	Engineering and general construction works	60%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

35 Business combination (continued)

35.1 Assets acquired and liabilities recognised at the date of acquisition

	AED'000
ASSETS	
Property, plant and equipment	138,429
Intangible assets	375
Investment properties	4,573,274
Investment in associates and joint ventures	219,197
Available for sale financial assets	95,746
Trade and other receivables	2,720,943
Development work in progress	4,565,100
Land held for resale	1,748,470
Inventories	111,764
Cash and bank balances	1,521,478
Total assets	**15,694,776**
LIABILITIES	
Borrowings	2,112,140
Retentions payable	271,078
Provision of employees' end of service benefits	44,977
Advances from customers	2,933,585
Trade and other payables	1,934,979
Other financial liabilities	1,770
Total liabilities	**7,298,529**
Net assets acquired	**8,396,247**

35.2 Non-controlling interests

The non-controlling interest recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to AED 294.4 million.

Company	Percentage of non-controlling interest
Pivot Engineering & General Contracting Co. WLL	40%
Khidmah LLC	40%
Sorouh Egypt for Investment and Tourism Development S.A.E.	20%
Al Seih Real Estate Management LLC	8.6%
Seih Sdeirah Real Estate LLC	8.6%

35.3 Gain arising on acquisition

	AED'000
Consideration transferred equal to fair value of 3,381 million shares issued to the shareholders of acquiree company	5,511,030
Add: Fair value of non-controlling interests	294,435
Less: Fair value of identifiable net assets acquired	(8,396,247)
Gain arising on acquisition taken to profit or loss for the year	**(2,590,782)**

Acquisition-related costs were recognised as an expense during the period in which they were incurred.

The gain on acquisition arises from the difference between the fair value of Sorouh's assets, including land assets which were previously held at nominal value, and the consideration transferred.

IFRS 3 determines that the effective acquisition date is, inter alia, the date on which all required conditions and approvals have been substantively satisfied.

35 Business combination (continued)

35.3 Gain arising on acquisition (continued)

Management has determined that 15 May 2013 was the date on which all the material conditions associated with the merger were substantively satisfied. Management has therefore concluded that the effective acquisition date is 15 May 2013. Therefore, the fair value of Sorouh's net assets was also measured at that date and the consideration was measured at Aldar's share price at that date.

36 Segment information

36.1 Business segments

Segment information about the Group's continuing operations for the year then ended is presented below:

Year ended 31 December 2014

	Property development and sales AED'000	Investment properties portfolio AED'000	Construction AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	3,796,802	1,304,753	504,922	119,288	588,593	202,569	34,151	6,551,078
Depreciation and amortisation	–	(12,758)	–	(27,139)	(132,272)	(31,417)	(4,097)	(207,683)
Reversal/(provisions, impairments and write downs), net	72,739	(28,033)	–	–	150,601	(278)	–	195,029
Pre-opening expenses of operational businesses	–	(50,298)	–	–	–	–	–	(50,298)
Fair value gain on investment properties	–	474,157	–	–	–	–	–	474,157
Gain on disposal of investment properties	–	28,437	–	–	–	–	–	28,437
Other income	734,648	–	–	–	–	–	–	734,648
Segment profit	1,275,353	1,187,500	40,158	4,038	175,811	7,512	2,324	2,692,696
Share of profit from associates and joint ventures								96,006
Selling and marketing expenses								(35,540)
General and administrative expenses								(367,759)
Gain on disposal of investment in an associate								42,039
Provisions for impairments/write-offs								(1,423)
Reversal of impairment of an investment in associate, net								2,877
Gain from discontinued operations								9,720
Depreciation and amortisation								(19,987)
Finance income								110,587
Finance costs								(381,795)
Other income								118,932
Profit for the year								2,266,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

36 Segment information (continued)

36.1 Business segments (continued)

Year ended 31 December 2013

	Property development and sales AED'000	Investment properties portfolio AED'000	Construction AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	3,377,357	897,860	172,292	224,296	504,022	171,775	32,155	5,379,757
Depreciation and amortisation	–	(12,959)	–	(70,455)	(172,905)	(26,657)	(5,248)	(288,224)
Provisions, impairments and write downs	(774,205)	(40,546)	(86,071)	–	(235,175)	–	–	(1,135,997)
Fair value loss on investment properties	–	(340,544)	–	–	–	–	–	(340,544)
Segment profit/(loss)	194,300	76,247	(83,914)	(2,225)	(298,056)	(3,639)	(2,742)	(120,029)
Share of loss from associates and joint ventures								(16,475)
Selling and marketing expenses								(5,697)
General and administrative expenses								(295,021)
Gain on disposal of investment in associate								3,018
Gain on business combination								2,590,782
Depreciation and amortisation								(20,964)
Finance income								186,237
Finance costs								(727,020)
Other income								630,364
Profit for the year								2,225,195

The segment assets and liabilities and capital expenditure for the year then ended are as follows:

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Construction AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2014									
Assets	**14,370,383**	**15,425,785**	**128,942**	**1,032,233**	**2,772,796**	**480,073**	**55,135**	**4,283,783**	**38,549,130**
Liabilities	**7,617,941**	**1,164,042**	**130,996**	**1,028,485**	**163,753**	**180,768**	**18,431**	**9,871,332**	**20,175,748**
Capital expenditure	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,121**	**50,121**
Projects expenditure	**300,921**	**953,553**	**–**	**–**	**–**	**–**	**–**	**–**	**1,254,474**
As at 31 December 2013									
Assets	22,112,969	12,929,524	717,492	1,426,950	2,628,939	369,928	58,888	3,483,357	43,728,047
Liabilities	10,946,693	692,965	153,805	1,022,424	151,444	55,585	19,343	14,037,829	27,080,088
Capital expenditure	12,230	–	–	–	–	–	–	25,197	37,427
Projects expenditure	363,276	1,199,702	–	–	–	–	–	–	1,562,978

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

Segment profit represents the profit earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of profits of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

36 Segment information (continued)

36.1 Business segments (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates and joint ventures, available for sale assets and 'other financial assets'. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings, convertible and non-convertible bonds and 'other financial liabilities'. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

36.2 Geographical segments

The Group operated only in one geographical segment, i.e., United Arab Emirates.

37 Disposal of a subsidiary

On 3 November 2014, the Group disposed its subsidiary Sorouh International Development Limited which in turn owned 80% of Sorouh Egypt for Investment and Tourism Development SAE.

37.1 Analysis of assets and liabilities over which control was lost

	AED'000
Assets	
Trade and other receivables	9,350
Development work in progress	44,333
Property, plant and equipment	152
Total assets	**53,835**
Liabilities	
Trade and other liabilities	(56,512)
Net liabilities disposed of	**(2,677)**

37.2 Gain on disposal of a subsidiary

	AED'000
Consideration received	–
Net liabilities disposed of	2,677
Non-controlling interests	7,043
Gain on disposal	**9,720**

The gain on disposal is included in the gain from discontinued operations in the consolidated income statement.

38 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2015.

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