2011 ANNUAL REPORT CONTENT

content

CHAIRMAN'S STATEMENT

ON BEHALF OF THE BOARD OF DIRECTORS OF ALDAR PROPERTIES PJSC, I AM PLEASED TO PRESENT OUR ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011.

Ali Eid AlMheiri
CHAIRMAN

In 2011, Aldar delivered major milestones from its development activities. We also undertook a number of financial initiatives to return Aldar to long term growth and ensure ongoing value creation for all our stakeholders.

During the year we recorded two significant sales of assets to the Government of Abu Dhabi. These transactions, worth AED 36.2 billion included the sale of assets of Ferrari World Abu Dhabi, Central Market, residential units and land at Al Raha Beach and infrastructure across the three major developments.

In addition to the direct income from the sale of these strategic assets, the agreements also included an AED 2.8 billion mandatory convertible bond for Mubadala Development Company and the settling of AED 5 billion of a currently outstanding infrastructure loan from the Government of Abu Dhabi as reimbursement for infrastructure development at Al Raha Beach.

In October, we unveiled a new strategic plan designed to focus on the core strengths of the business and ensure the company's return to sustainable growth and recurring profitability. This followed a comprehensive review of our organisational structure to realign the company to meet its objectives of sustainable revenue growth. The process regretfully meant that Aldar had to reduce its workforce by 24 percent.

This was a difficult, but necessary decision and we have ensured that all staff leaving the company received full assistance and support. I am confident that we now have the appropriate size and skills as well as a new structure that creates greater accountability and a strong focus on key functions. I thank all Aldar staff for their continued hard work and resilience during this challenging time.

As a result of the two transactions and this comprehensive review process, we enter 2012 in a stronger financial position with lower debt levels and stable cash flows. We are a more efficient organization that is well positioned to capitalise on market opportunities and drive shareholders returns by deploying capital selectively into key projects.

Our underlying operational performance was strong in 2011, with improved recurring revenues, major residential deliveries, the addition of new investment properties and a growing fee-based development portfolio. Looking ahead to 2012, with new residential deliveries, significant progress on our major retail project, Yas Mall and new fee based projects such as Abu Dhabi Plaza – Kazakhstan, Yas Water Park in addition to the construction management agreement for Central Market, I look forward to reporting on continued progress in a year's time.

We also welcomed Greg Fewer to the organisation in November. Bringing over 15 years of financing, risk management and investment experience built between Mubadala, Barclays Capital and Canadian Imperial Bank of Commerce, I have no doubt that Greg will be a great addition to the Executive Management Team as we look to capitalise on the opportunities that lie ahead.

I would also like to thank the other members of the Aldar Executive Management Team and the Board of Directors for their support during my first year as Chairman of Aldar Properties, as well as our shareholders and customers.

Finally and on behalf of the Board and staff of Aldar, I would like to give our collective thanks to their Highnesses Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates, Supreme Commander of the UAE Armed Forces and Ruler of Abu Dhabi, and Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, for their continued support.

Ali Eid AlMheiri

Chairman of Aldar Properties

CEO'S STATEMENT

2011 WAS A YEAR OF CHANGE. HOWEVER, THE EFFECT OF THE DOWNTURN HAS UNDOUBTEDLY INFLUENCED MANY SECTORS OF THE ECONOMY AND CREATED MARKET CONDITIONS THAT REQUIRE PRUDENCE TO NAVIGATE A CAREFUL PATH ALONG THE JOURNEY OF SUSTAINABLE GROWTH.

Sami Asad
CHIEF EXECUTIVE OFFICER

Care and diligence have been our watchwords in 2011. While continuing to deliver our core developments and improve our recurring revenues from our investment portfolio, we have reorganised our operations in light of market conditions and refocused our commercial goals.

We continued to reduce our borrowing and also vigorously reduced our operational costs as we reorganized to align our cost base with the future needs of the Company. Following the announcement of two separate agreements to sell assets to the Government of Abu Dhabi, we enter 2012 on solid financial footing.

2011 was another solid year of delivery for Aldar. We completed 1,930 residential units including the Al Zeina and Al Muneera communities at Al Raha Beach, one of the first new beachfront residential developments in Abu Dhabi, and the first phase of Al Gurm, a luxury residential development. The completion of Al Bateen Park, a residential unit development in the heart of Abu Dhabi and Al Ward, a precinct within the Al Raha Gardens community, is anticipated in 2012.

Our fee-based development portfolio has also grown with the signing of new development management contracts for Abu Dhabi Plaza Kazakhstan, Yas Waterworld Abu Dhabi and a construction management agreement for Central Market. These join existing contracts for Al Falah, a 4,857 villa Emirati Housing development for the Abu Dhabi Government, Cleveland Clinic Abu Dhabi, a USD 1.9 billion healthcare facility for Mubadala and the Masdar Institute of Science and Technology for Masdar.

A range of properties held for investment were also completed and fully let in 2011 adding 76,000 sqm of new retail, including IKEA development on Yas Island, Gardens Plaza and Motor World, a custom-designed destination for new and used car showrooms and servicing facilities in Abu Dhabi. The construction contract was awarded for Yas Mall, a major retail development on Yas Island.

With 235,000 sqm of retail trading area, Aldar has already leased over 40% of this development that will open in the fourth quarter of 2013.

In 2011, Aldar Academies delivered three new schools - Al Bateen Secondary School, Al Mushrif School and Al Ain International School. Aldar Academies now operates six schools with capacity for approximately 5,500 pupils in Abu Dhabi and Al Ain.

Over the past year we've laid the groundwork for the future of Aldar through the evolution of our operational and business model and by ensuring that the company is financially positioned to be able to take advantage of the opportunities that arise.

Our forward focus is on continuing to grow our recurring revenue and fee-generative operations to both reduce debt and to be able to invest in new commercially driven projects.

We enter 2012 with the size and skills required to deliver our key projects for the benefit of our stakeholders and are fit to take advantage of the opportunities that will present themselves. Aldar is a stronger, leaner and more refined organisation with a stable financial foundation that is optimised to deliver value to shareholders. Our value creation strategy is built on development - both for our own assets and for third parties - and growing recurring income from our investment properties. We will look to leverage our sizeable land bank to create new developments that meet market demands and end-user needs.

Lastly, I would like to take this opportunity to thank the employees of Aldar for their continued support, commitment and patience during this time of change. We are ready to enter the next chapter for the company with energy and enthusiasm.

Sami Asad
Chief Executive Officer

ABOUT ALDAR

ALDAR IS ABU DHABI'S LEADING PROPERTY DEVELOPMENT INVESTMENT AND MANAGEMENT COMPANY.

IN 2011, THE COMPANY TOOK A NUMBER OF SIGNIFICANT STEPS TO RESPOND TO CHALLENGING MARKET CONDITIONS. A FULL PORTFOLIO, OPERATIONAL AND FINANCIAL REVIEW WAS CONDUCTED INTERNALLY AND AS A RESULT, ALDAR'S STRATEGIC FOCUS AND ORGANIZATIONAL STRUCTURE WAS REPOSITIONED TO ALIGN WITH MARKET OPPORTUNITIES. DURING THE YEAR, ALDAR FOCUSED ON THE COMPLETION OF KEY PROJECTS AND WORK IN PROGRESS AND REALIGNED ITS BALANCE SHEET TO ACHIEVE A LONG-TERM SUSTAINABLE CAPITAL STRUCTURE.

IN 2012, ALDAR WILL CONTINUE TO FOCUS ON THE SUCCESSFUL COMPLETION OF ITS EXISTING PROJECTS, UNDERTAKE NEW SELECTIVE MARKET DRIVEN DEVELOPMENTS, AND MAXIMIZE RETURNS FROM ITS INVESTMENT PROPERTIES AND OPERATING BUSINESSES.

OUR MISSION

TO CAPTURE SUSTAINABLE RETURNS FOR OUR SHAREHOLDERS THROUGH DEVELOPMENT, INVESTMENT AND MANAGEMENT OF QUALITY REAL ESTATE ASSETS THAT FULFIL OUR CUSTOMER NEEDS WHILE OFFERING A REWARDING AND DYNAMIC WORK ENVIRONMENT FOR OUR EMPLOYEES.

CORPORATE STRUCTURE

ALDAR, ALONG WITH ITS SUBSIDIARIES AND JOINT VENTURES, OPERATES AS A REAL ESTATE INVESTMENT, DEVELOPMENT AND MANAGEMENT GROUP. ALDAR'S OPERATIONS CAN BE BROADLY CATEGORISED INTO THE FOLLOWING AREAS:

REAL ESTATE DEVELOPMENT

Aldar undertakes major projects including commercial and residential properties, retail developments, hotel and leisure facilities, infrastructure projects, luxury resorts and schools. In addition, Aldar continues to generate income by providing development management services to third-party investors and Government entities.

REAL ESTATE ASSET MANAGEMENT

As part of its long-term business strategy, Aldar holds and manages selected assets within its investment portfolio, enabling it to secure long-term revenue streams and maximize long term asset value. These assets comprise of residential, commercial, retail, hospitality and social infrastructure assets.

INVESTMENT IN OPERATIONAL BUSINESSES, SUBSIDARIES & JOINT VENTURES

Aldar has direct investments in operational businesses that complement its real estate investment portfolio through a range of wholly owned subsidiaries and strategic partnerships. These investments vary from school operations to minority stakes in real estate mortgage companies in Abu Dhabi.

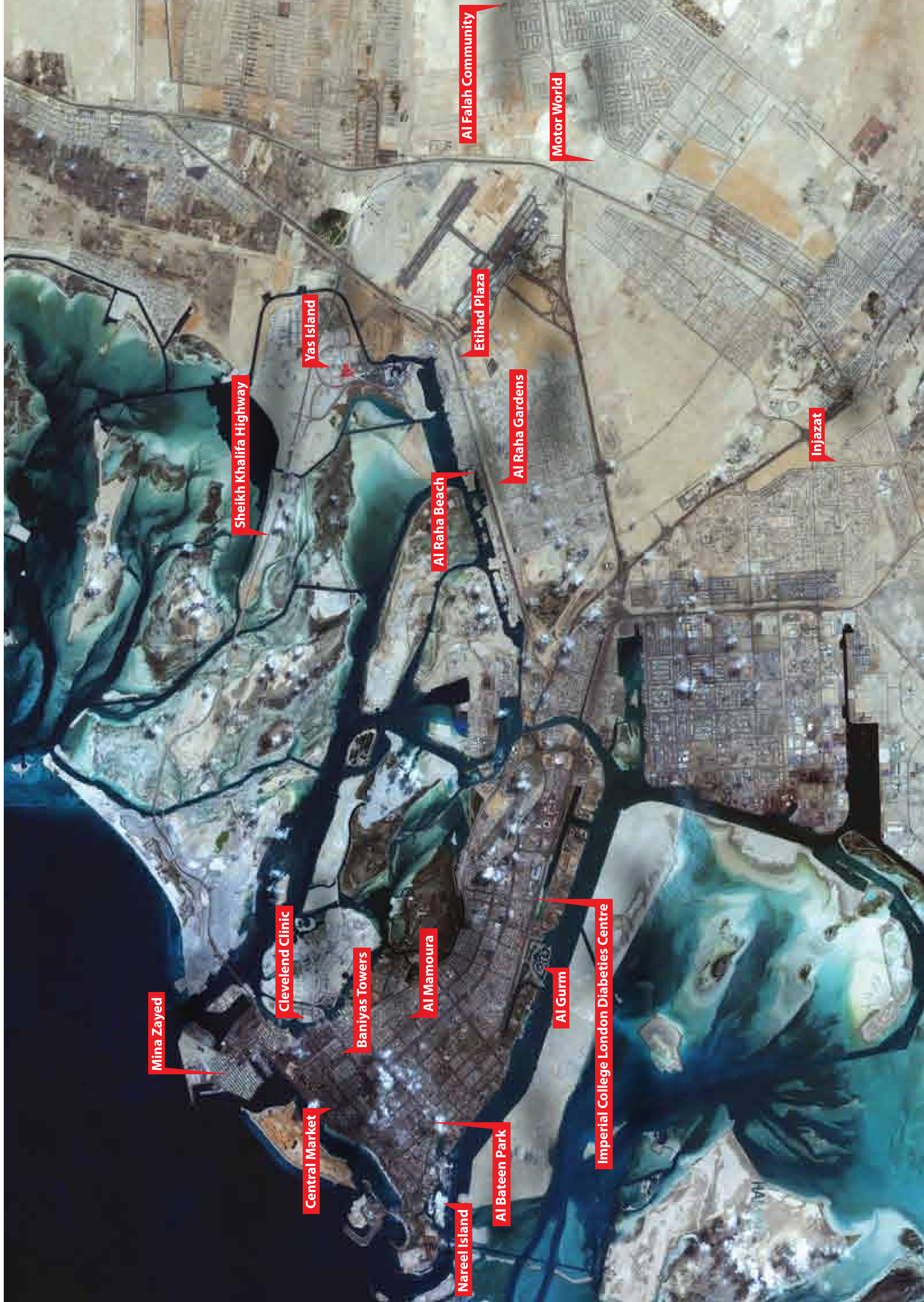
BUSINESS REVIEW

LAND BANK AVAILABLE FOR FUTURE DEVELOPMENT

PROJECT	LAND AREA (sqm)	FREEHOLD/LEASEHOLD
Al Raha Beach		
Central Precinct	464,812	Freehold
West Precinct	2,667,284	Freehold
Yas Island		
Zone JA/JB Golf Estate	220,835	Freehold
Zone IB & TP	1,070,290	Freehold
Zone NY - North Yas	5,890,475	Freehold
Motor World	1,179,163	Freehold
Al Falah Town Centre	2,177,077	Freehold
Al Gurm - Phase II	11,655	Freehold
Al Shabhat	253,749	Freehold
Al Ain Al Mutared	24,975	Freehold
Capital City District	51,022	Freehold
Al Merief	720,213	Freehold
Total	14,731,549	

PROJECTS

PROJECT	PROJECT TYPE
Noor Al Ain	Mixed use (Residential, retail and leisure)
Al Raha Beach	Mixed use (Residential, offices and retail)
Motor World	Mixed use (Residential, motor showrooms and retail)
Al Gurm	Mixed use (Leisure and residential)
Al Merief (Previously Airport site)	Mixed use (Residential and retail)
Al Falah Town Centre	Mixed use
Al Gurm - Phase II	High-End Residential
Yas Island	
Zone JA/JB – Golf estates	Medium density residential
Zone K – Master-planned community	Residential
Zone NY – North Yas	Residential / mixed use
Zone E - Yas Mall	Retail
Zone S – Southern Marina	Mixed use / marina
Zone TP – Theme Park	Leisure



COMPLETED PROJECTS

PROJECT	PROJECT TYPE	COMPLETION DATE	STATUS
Al Jimi Mall	Retail	Acquisition: July 2005 Expansion: March 2006	Owned and operated by Aldar
Diabetes Centre	Healthcare	April 2006	Handed over to Mubadala Development Company
The Pearl Primary School	School	September 2007	Owned and operated by Aldar Academies
Al Mamoura	Offices	Building A: December 2007 Building B: June 2009	Owned and operated by Aldar
Al Raha Gardens	Residential	Phase 1: December 2007 Phase 2: June 2009	Unit/Villa sales continue, common areas operated by Aldar
Etihad Plaza (Previously Abraj Towers)	Mixed Use (Residential, Offices, Retail)	Phase 1: December 2007 Final Phase: June 2009	Sold to a joint venture between Aldar & Etihad Airways PJSC
Al Yasmina School	School	September 2008	Owned and operated by Aldar Academies
Injazat Data Centre	Offices	June 2009	Sold
Baniyas Towers	Offices	July 2009	Owned and operated by Aldar
Al Muna Primary School	School	September 2009	Owned and operated by Aldar Academies
Yas Marina Circuit	Race Track	September 2009	Sold
Yas Hotels			
Yas Viceroy	Hotel	October 2009	Owned by Aldar, operated by global brand
Radisson Blu	Hotel	October 2009	Owned by Aldar, operated by global brand
Crowne Plaza	Hotel	October 2009	Owned by Aldar, operated by global brand
Rotana	Hotel	October 2009	Owned by Aldar, operated by global brand
Hala Arjaan	Hotel	October 2009	Owned by Aldar, operated by global brand
Park Inn	Hotel	October 2009	Owned by Aldar, operated by global brand
Centro	Hotel	October 2009	Owned by Aldar, operated by global brand
Staybridge Suites	Hotel	October 2009	Owned by Aldar, operated by global brand
Yas Marina	Marina	October 2009	Sold
Yas Infrastructure	Infrastructure	October 2009	Sold
Yas Links (Yas Island)	Leisure	February 2010	Owned and operated by Aldar
Al Bandar (Al Raha Beach)	Residential	September 2010	Unit/Villa sales continue, common areas operated by Aldar
Al Gurm (Phase 1)	Residential	October 2010	Unit/Villa sales continue, common areas operated by Aldar
HQ (Al Raha Beach)	Offices	October 2010	Owned and operated by Aldar
Ferrari World Abu Dhabi (Yas Island)	Leisure	November 2010	Sold and operated by Farah Leisure
Welcome Pavilion and Cascade Walk (Yas Island)	Retail/Leisure	November 2010	Sold and operated by Farah Leisure
Souk at Central Market	Retail	December 2010	Sold and operated by Aldar
IKEA Yas Island	Retail	March 2011	Owned and operated by Aldar
Al Zeina (Al Raha Beach)	Residential	July 2011	Unit/Villa sales continue, common areas operated by Aldar
Al Muneera (Al Raha Beach)	Residential	September 2011	Unit/Villa sales continue, common areas operated by Aldar
Al Bateen School	School	September 2011	Owned and operated by Aldar Academies
Al Mushrif School	School	September 2011	Owned and operated by Aldar Academies
Al Ain International School	School	September 2011	Owned and operated by Aldar Academies
Motor World Phase 1	Mixed Use	October 2011	Owned and operated by Aldar

REIMBURSABLE PROJECTS

Aldar provides development management services for third parties including Government and Government related entities. Aldar provides end-to-end project management services ranging from design, procurement, site preparation, construction to fit-outs. The project management services are being provided by Aldar for a fee and the funding of the project is provided by the third party. Major projects being undertaken on behalf of the Government are shown bellow.

PROJECT	PROJECT TYPE
Cleveland Clinic Abu Dhabi	Healthcare
Sheikha Salama Mosque	Mosque
Al Falah	Residential
Central Market	Mixed Use (Residential, Retail, Hotel, Offices)
Yas Waterworld Abu Dhabi	Leisure
Abu Dhabi Plaza, Astana	Mixed Use (Residential, Retail, Hotel, Offices)
Interchanges at Al Raha Beach	Infrastructure
Shabhat Infrastructure	Infrastructure

COMPLETED PROJECTS 2011

Al Zeina

Located at the heart of Al Raha Beach, Al Zeina follows Al Bandar as one of the first beachfront residential developments in Abu Dhabi available for purchase by national and international buyers. A community focussed development, Al Zeina includes apartments, penthouses and a range of town houses and villas, some with private courtyards and pools, and others opening out directly on to the 500m-long private beach.

Designed for a complete range of residential needs, a major retail high street is planned that will include a Waitrose supermarket. A number of cafes and restaurants including Café Firenze are also in development and the delivery of the high street will begin in the second quarter of 2012.

In addition to the private beach, Al Zeina has six community swimming pools, six gyms, childcare facilities, male and female prayer rooms as well as a library, all for the exclusive use of residents.

Handover of apartments and villas across the seven precincts of this stunning development began in July 2011.

Al Muneera

Al Muneera is a residential development within Al Raha Beach which features an island edged by a private beach. Down each side of the canal, apartments and townhouses are interspersed with lush gardens and trees. Set back from the island's seafront promenade are the 11 villas and smaller town houses, with two circular apartment buildings at the centre.

From the office tower opposite the island, a pedestrian bridge directs visitors straight to the beachfront, lined with cafés, restaurants and retail outlets. Retailers that will be opening soon in the Al Muneera retail precinct include La Brioche, Lilies Restaurant & Café, Costa Coffee, Swiss Bakery, Noir Café & Bakery and Carrefour Market.

Comprising 1,286 apartments across 6 towers, 148 townhouses, 11 villas, Al Muneera began handover to owners in September 2011.

Al Bateen School

Al Bateen School is the secondary receiving school for the Pearl and Al Muna Schools, providing high quality education for English-speaking students from the ages of 11 to 18. It provides much-needed secondary education in a great learning environment in the Al Bateen area of Abu Dhabi Island.

Offering a British curriculum to GCSE level and the International Baccalaureate Diploma, Al Bateen Secondary School's curriculum gives children a broad and varied international education.

Al Bateen Secondary School is a unique building with a beautiful design that allows for more student circulation and greater interaction between different year groups than traditional schools

State-of-the-art teaching facilities include an 850-seat auditorium, performing arts facilities, science laboratories, a design technology faculty, music recording studio and recital hall. Sports facilities comprise of a multi-purpose sports hall, dance studio, 25m indoor swimming pool and floodlit football pitch and shaded basketball courts.

The school opened in September 2011.

Al Mushrif School

Al Mushrif School opened in September 2011 and promises to provide an outstanding education for all pupils from Foundation Stage 1 to Year 6.

To enable early opening, Al Mushrif School has been temporarily based within the Al Bateen Secondary School Campus. Beyond 2013, plans are in place for Al Mushrif School to re-locate to a new school site.

From 2011-2013, Al Mushrif School will benefit from shared access to the state of the art facilities within the Al Bateen Secondary School Campus. Shared facilities and resources within the school campus include; the sports hall, dance studio, swimming pool, basketball court, astro-turf pitch, drama studio, library, canteen area and performance hall. Al Mushrif pupils will also benefit from shared access to specialist teaching areas for ICT, Art, Science and Music.

The school currently has 375 pupils.

Al Ain International School

Al Ain International School was developed on the site of an existing Government school, less than a kilometre from the Hilton Hotel, Al Ain. Facilities include a sports hall, theatre, full size football pitch, swimming pools, large recreation areas, computer suites, specialist classrooms, as well as more than 40 teaching classrooms.

The school opened in September 2011, with 84 pupils in its first year of operation. This number is forecast to grow to 185 in year 2 (September 2012). Capacity will eventually grow to 960 pupils.

COMPLETED PROJECTS 2011

Motor World

Motor World is the new automotive development in Abu Dhabi, dedicated to buying, selling and servicing both new and pre-owned cars. Motor World is designed to be a one-stop shop for customers, providing all related services under one roof, including finance, insurance and registration services.

The first phase of Motor World, composed of 100 used car showrooms was delivered in the fourth quarter of 2011.

IKEA Yas Island

The 33,000 sqm store with a total sales area of 19,150 sqm is the largest IKEA store in the MENA region and the first element of Yas Island's wide-ranging retail offer that will culminate with the delivery of Yas Mall in 2013.

IKEA Yas Island opened its doors in March 2011.

Gardens Plaza

Gardens Plaza is a new shopping and community centre in Al Raha Gardens. The latest addition to Aldar's growing retail portfolio, Gardens Plaza offers a range of retail and leisure opportunities to residents of Al Raha Gardens and surrounding communities in Khalifa City and Al Raha Beach.

This 2,300 sqm community shopping centre, with a gym, community hall and 85 car parking spaces features a range of coffee shops and restaurants including Jones the Grocer and Zyng Asian Grill as well as a central supermarket – Al Safa supermarket.

Architecturally, the development blends traditional Arabian and modern themes, with a double height covered entrance area, landscaped courtyard areas, a 2,500sqm outdoor garden and play area as well as external restaurant seating.

Gardens Plaza opened to customers in May 2011.

Sheikha Salama Mosque

Aldar was commissioned by the EAA, under the instruction of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, and Sheikh Mohammad bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, to design and supervise the development of the project to ensure that the new Sheikha Salama Mosque would become a landmark for Al Ain, and a cornerstone of future development in the city.
Located adjacent to Al Ain Oasis, in the same location as the former Sheikha Salama Mosque, the new mosque can accomodate up to 3,100 people at a time in the main prayer hall, 640 women on the first floor and 1,125 men in the open court yard and has a total area of 35,873sqm.

Other features include underground parking, lifts, a retractable sun shade to provide shelter from the sun during prayer and a unique celebration light system which will be used during Islamic occasions.

Sheikha Salama Mosque was handed over in March 2011.

MAJOR PROJECTS

Yas Mall

Yas Mall will be the heart of Aldar's retail offering at Yas Island. A regional shopping mall with over 230,000 square metres of gross leasable area, Yas Mall will offer a complete shopping experience with the full spectrum of shops to suit all tastes and needs.

Adjoining Ferrari World Abu Dhabi and with easy access to Yas Island and Sheikh Khalifa Highway, Yas Mall will be a home for the world's leading brands, from volume retail to high-end designer labels. Aldar has already leased over 50% of this development.

Yas Mall is scheduled for completion in the fourth quarter of 2013. An ACE Hardware store is also under development.

Yas Waterworld Abu Dhabi

Sitting next to Ferrari World at the centre of Yas Island's entertainment complex, will be the Yas Waterworld Abu Dhabi.

Visitors will be able to enjoy 43 rides, slides and attractions that follow the adventures of the waterpark›s main character ‹Dana› - a young Emirati girl in search of a legendary pearl which brought prosperity to the people of her village.

The park is due to open in Q4 2012.

Central Market

Set on the site of Abu Dhabi's original souk, and designed by world-renowned architects Foster & Partners, Central Market is a fully integrated mix of retail, business, residential and leisure facilities, combining tradition with modern design.

Together, Emporium and The Souk offer over 76,500 sqm of space in over 400 retail units. Trust Tower will provide Grade A office space. The Domain will be home to 474 premium residential units. The complex will be completed by a 4* Marriot Courtyard Hotel.

Central Market was sold to the Government of Abu Dhabi in December 2011. Aldar is completing construction of the project on behalf of the Government of Abu Dhabi.

MAJOR PROJECTS

Al Falah

Al Falah will be a new community for middle income UAE national families and will consist of several villages built around a town centre. This project forms part of a wider Government initiative to create more housing for the local population. Al Falah will be an attractive, functional and culturally appropriate residential community located close to the Abu Dhabi international airport.

The master plan for Al Falah is designed to provide full community facilities and extensive housing opportunities for the Emirate's citizens. It will also provide integrated retail, commercial, educational, health and leisure facilities aimed at residents. The community will offer its residents around 5,000 villas of varying sizes with parking and large gardens. The villages will also have schools, kindergartens, clinics, mosques, shops and parks. Al Falah will provide a high quality of life for its residents with well-designed attractive public areas, parklands and landscaping. Aldar is constructing the villages and associated infrastructure in liaison with the Urban Planning Council.

The project team is on target to achieve completion of 1,000 3, 4 & 5 bedrooms by the end of the first half of 2012 with the remaining deliveries scheduled throughout the year.

Project infrastructure work has also been progressing well with several project utilities meeting milestones. Over 315km of sewers and surface water drainage and over 235km of potable and irrigation water piping had been completed by the end of January 2012.

In addition, over the last 12 months the team has laid 260,000 sq m of tarmac to complete the roads on time, equivalent to 52 football fields.

The 2,000-capacity Sheikh Khalifa Mosque, which will serve the residents of the first completed villages has been tendered and the construction work contract awarded to El Seif. The contractor mobilized to the Mosque site during January 2012.

Al Falah is being developed by Aldar on behalf of the Government of Abu Dhabi.

Al Ward

Al Ward is the latest phase of homes to be developed in Al Raha Gardens, Aldar's established residential community in Khalifa City A, Abu Dhabi.

Located at the Eastern end of Al Raha Gardens, Al Ward is made up of five bedroom villas designed in a contemporary Arabic style. All homes are designed in the Type S format seen across Al Raha Gardens, which has proved popular with owners and tenants.

Opened in 2007, Al Raha Gardens was the first freehold property development dedicated to UAE nationals in Abu Dhabi and the UAE, encompassing a number of gated residential villa precincts and schools. The first three phases of the development are now complete with all 1,369 villas handed over to their respective owners.

Al Ward will be delivered in the third quarter of 2012.

Cleveland Clinic

The expertise of one of the most respected hospitals in the United States, along with comprehensive diagnostic facilities and treatments, will ensure that Cleveland Clinic Abu Dhabi will provide the very best in medical care for the UAE and the region.

Located on Sowwah Island, this 360-bed, 22-storey healthcare facility, which is being built by Aldar for Mubadala Healthcare, will provide the most advanced medical services in the Middle East when it opens.

Cleveland Clinic Abu Dhabi will be delivered in the second quarter of 2013.

Al Bateen Park

Al Bateen Park is a residential development featuring apartments, townhouses and villas, set amongst lush landscaped surroundings and high quality recreational areas in the premier district of Al Bateen.

Residents will also benefit from access to a clubhouse and swimming pool on site, as well as shops, restaurants and cafes.

The site is in close proximity to amenities such as the new Aldar Academies Al Bateen School retail shopping malls, mosques and other schools providing residents with easy access to their everyday needs.

Al Bateen Park will be delivered in the third quarter of 2012.

ALDAR OPERATING BUSINESSES

HOTELS

Aldar owns seven hotels on Yas Island operated by global brands IHG (Crowne Plaza and Staybridge Suites) and Rezidor (Radisson Blu and Park Inn) and leading regional operator Rotana (Rotana and Centro).

In July 2011, Aldar awarded the Viceroy Hotel Group the contract to operate the first Viceroy Hotel in the Middle East.

SCHOOLS

ALDAR ACADEMIES LLC

ALDAR ACADEMIES' MISSION IS TO CREATE WORLD CLASS INTERNATIONAL SCHOOLS THAT SET THE BENCHMARK FOR EXCELLENCE IN EDUCATION AND AT THE SAME TIME ARE A HOME AWAY FROM HOME FOR ALL CHILDREN. WE SEEK TO CREATE SCHOOLS THAT PROVIDE AN INSPIRING LEARNING ENVIRONMENT AT THE HEART OF OUR COMMUNITIES AND ACROSS THE EMIRATE OF ABU DHABI.

Aldar Academies' schools offer a broad and varied educational experience for pupils aged 3 to 18 years, taking into consideration local cultural requirements and differing international expectations. Across our portfolio of six schools we have capacity this academic year for 3500 pupils.

AL YASMINA SCHOOL

Children from age 3 to 18 benefit from the best primary and secondary education at Al Yasmina School, all based on the British Curriculum, and taught by teachers with international expertise.

Located within the eastern end of the Al Raha Gardens villas complex, adjacent to Abu Dhabi Golf Club, the school currently caters for 1455 pupils.

The school opened in September 2008.

THE PEARL PRIMARY SCHOOL

Pearl Primary was the first Aldar Academies school, set up in 2007 with a capacity of 575 students, offering Astroturf pitches, swimming pool, netball courts and sports hall and classrooms equipped with interactive whiteboards, computer suites with the latest technology and a well-stocked library.

It is a British Curriculum school in the centre of Abu Dhabi educating young minds from Foundation Stage (Kindergarten) to Year 6.

AL MUNA PRIMARY SCHOOL

Located in downtown Abu Dhabi, and catering for 575 pupils, Al Muna's facilities include a 25 metre swimming pool, a football pitch, a netball court, a sports hall, a library and a computer suite. Al Muna also has dedicated play areas for the Foundation State, Key Stage One and Key Stage Two pupils.

AL BATEEN SCHOOL

Al Bateen School is the secondary receiving school for the Pearl and Al Muna Schools, providing high quality education for English-speaking students from the ages of 11 to 18. It provides much-needed secondary education in a great learning environment in the Al Bateen area of Abu Dhabi Island. The school opened in September 2011.

AL MUSHRIF SCHOOL

Al Mushrif School opened in September 2011 and provides an outstanding education for all pupils from Foundation Stage 1 to Year 6. Capacity for 2011/12 stands at 375 pupils.

To enable early opening, Al Mushrif School has been temporarily based within the Al Bateen Secondary School Campus. Beyond 2013, plans are in place for Al Mushrif School to re-locate to a new school site.

AL AIN INTERNATIONAL SCHOOL

Al Ain International School is being developed on the site of an existing Government school, less than a kilometre from the Hilton Hotel, Al Ain.

The school opened in September 2011, with 84 pupils in its first year of operation.

Facilities will include a sports hall, theatre, full size football pitch, swimming pools, large recreation areas, computer suites, specialist classrooms, as well as more than 40 teaching classrooms.

GOLF

Yas Links LLC operates the Yas Links Golf Course, one of the world's leading golf courses. In August 2011 it was announced that Yas Links had entered Golf World magazine's Top 100 Courses as the highest ranked course from The Middle East. In November 2011 Golf Digest magazine ranked Yas Links as the number 1 course in the Middle East.

THEME PARKS

Farah Leisure Park Management LLC (Farah) operates the region's first Ferrari theme park on Yas Island, the largest indoor park in the world. Farah Leisure is currently in advanced negotiations regarding the operation of future Abu Dhabi theme parks.

MARINAS

Aldar Marinas LLC designs and constructs world class marina facilities and services as an integral component of selected waterfront developments being built by Aldar.

During 2011, Al Bandar Marina became fully operational and a management contract was agreed with Art Marine LLC.

FINANCIAL REVIEW

THE FINANCIAL INFORMATION CONTAINED IN THIS REVIEW IS BASED ON THE CONSOLIDATED FINANCIAL STATEMENTS. THE NATURE AND ACCOUNTING POLICIES FOR INDIVIDUAL LINE ITEMS HAVE BEEN DETAILED IN NOTE 3 TO THE CONSOLIDATED FINANCIAL STATEMENTS. EXTRACTS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF CASH FLOWS ARE AS FOLLOWS:

Key consolidated income statement information	2011 AED million	2010 AED million
Revenue	6,742.6	1,791.1
Direct costs	(5,097.1)	(1,503.0)
Selling and marketing expenses	(35.5)	(83.4)
General and administrative expenses [i]:		
Staff costs	(243.8)	(313.5)
Depreciation and amortisation	(590.3)	(514.1)
Pre-opening expenses of operational businesses	(3.4)	(80.6)
Other general and administrative expenses	(132.0)	(187.4)
	(969.5)	(1,095.6)
Finance costs, net	(982.1)	(455.0)
Other income/(expenses) [ii]	4,014.4	(11.8)
Profit/(loss) before impairments and fair value movements	3,672.8	(1,357.7)
Impairments and fair value losses:		
Provisions for impairments/write-offs/cancellation/onerous contracts [iii]	(2,489.6)	(4,308.3)
Fair value loss on investment properties	(540.7)	(6,992.4)
	(3,030.3)	(11,300.7)
Profit/(loss) for the year	642.5	(12,658.4)

Key consolidated statement of financial position information	2011 AED million	2010 AED million
Property, plant and equipment	4,866.3	6,675.1
Investment properties	6,000.7	8,293.8
Development work in progress	7,133.9	13,877.9
Trade and other receivables	12,413.9	8,998.6
Cash and bank balances	4,157.7	2,431.5
Financing[iv]	(18,252.5)	(32,571.9)
Advances from customers	(4,740.0)	(2,687.6)
Trade and other payables	(8,460.2)	(6,171.1)
Net assets (total assets less total liabilities)	7,093.6	4,246.8

Key consolidated statement of cash flows information	2011 AED million	2010 AED million
Net cash generated from/(used in) operating activities	4,300.3	(2,714.8)
Net cash generated from investing activities	7,296.0	1,975.0
Net cash used in financing activities	(8,873.4)	(1,275.1)
Cash and cash equivalents at the end of the year	3,371.2	648.2
Short term deposits and restricted balances with banks	786.5	1,783.3
Cash and bank balances at the end of the year	4,157.7	2,431.5

[i] Excludes provisions for impairments /write offs/ cancellation /onerous contracts of AED 2,489.6 million, which has been shown separately.

[ii] Includes profit on assets held for sale, Government grant income and share of profits/loss from associates and joint ventures and impairment of available for sale investments.

[iii] Comprises provisions for impairment of amounts due from joint ventures and loss on cancellation of sales of AED 415.2 million, project costs impaired and written off of AED 1,822.4 million and provision for onerous contracts of AED 252.0 million.

[iv] Financing is defined as outstanding balances from all borrowings, convertible and non-convertible bonds.

FINANCIAL REVIEW

Greg Fewer
Chief Financial Officer

HIGHLIGHTS

In 2011, real estate market conditions remained challenging. However, we have delivered some significant milestones and have emerged in 2012 as a financially stronger company in a better position to meet our objectives going forward.

In 2011, the Board undertook a comprehensive review of Aldar's business model, finances and operations that resulted in two large transactions with the Government of Abu Dhabi and Mubadala Development Company totalling AED 36.2 billion. The first transaction was completed in January 2011 for AED 19.4 billion including sale of assets worth AED 16.5 billion to Government of Abu Dhabi entities and issuance of convertible bonds for AED 2.8 billion to Mubadala Development Company. The second transaction was completed in December 2011 for AED 16.8 billion including the sale of assets worth AED 9.2 billion, transfer of infra-structure worth AED 5.0 billion and a construction management agreement worth AED 2.6 billion. These transactions were designed to create the solid financial foundation needed to drive returns to shareholders. Moreover, we have realigned our organisational structure, reduced headcount and refined our business processes. Aldar enters 2012 with an improved balance sheet, predictable and stable cash flows and an efficient operating base. We are well positioned financially to execute on our mission.

In the back drop of tough market conditions we have delivered a strong set of results and completed several key projects during the year. Al Zeina and Al Muneera projects at Al Raha Beach were completed and phased deliveries have already started. A contract has been awarded for construction of the Yas Mall project with expected completion towards end of 2013. Our fee based development projects including Al Falah, Cleveland Clinic, Masdar, Central Market and infrastructure developments have grown in size and are progressing as per schedule providing stable revenues to Aldar.

HEADLINE RESULTS

The Group's revenue for the year grew to AED 6,742.6 million compared to AED 1,791.1 million for the year 2010, profit for the year before impairments and fair value movements was AED 3,672.8 million compared to loss of AED 1,357.7 million for the year ended 31 December 2010 mainly due to announced Government sales. The Group has written down the value of its assets to reflect the conditions that have affected the real estate market in the UAE and thorough business reviews undertaken. Accordingly, appropriate provisions, impairments and fair value losses totalling AED 3.03 billion were recognised during the year. This has led to an earnings per share of AED 0.15 compared to a loss per share of AED 4.39 for the previous year.

ANALYSIS OF INCOME STATEMENT

Revenue

The Group's revenue is mainly generated from the sale of land and completed properties, rental income from investment properties and income from its operational businesses.
The Group earned AED 5,435.2 million from sale of land plots and completed properties compared to AED 905.4 million for 2010. The increase was primarily due to revenue from land sales to the Government supplemented by increase in sale of residential units.

Revenue from the Group's other operational segments grew significantly compared to 2010 and the total revenue, including project management and rental income from investment properties was AED 1,307.4 million for 2011 compared to AED 885.7 million for the previous year.

Direct costs

Our direct operating costs include costs for infrastructure development, construction costs of projects, costs of operational businesses and direct costs incurred in the normal operating cycle of investment properties. For the year ended 31 December 2011, direct costs included AED 4,097.3 million for cost of land and completed properties sold, and AED 999.8 million as direct costs of operating businesses. The increase in direct costs is in line with the increase in revenue due to deliveries of land and units.

Selling and marketing expenses

Selling and marketing expenses for the year ended 31 December 2011 were 57% lower than the prior year mainly due to reduced marketing activities during 2011.

General and administrative expenses

The overall general and administrative expenses (excluding impairment losses) for the year ended 31 December 2011 was AED 969.5 million compared to AED 1,095.6 million for the year ended 31 December 2010. The general and administrative expenses for the year 2011 are lower by 11.5% compared to the comparative period primarily due to 22% decrease in staff costs and 96% reduction in pre-opening expenses partially offset by increase in depreciation charge and amortisation for the year by AED 76.1 million (15%) over 2010 figure due to an increase in operating assets.

Finance income/costs

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

For 2011, the Group had net finance costs of AED 982.1 million compared to net finance cost of AED 455.0 million in the previous year mainly due to the cessation of capitalisation of certain finance costs attributable to projects completed over 2011 and a decrease in finance income as a result of lower cash balances.

Other income

Other income of AED 3.95 billion was recorded over 2011, comprising mainly of the gains due to the following transactions:

The Group sold the Central Market project to the Government of Abu Dhabi against a total consideration of AED 5.7 billion. The difference between the fair value of the asset and consideration receivable has been recognised in profit/loss as a Government grant in accordance with IAS 20 "Accounting for Government grants and disclosure of Government assistance".

In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group disposed of the Ferrari World Abu Dhabi theme park and related assets to the Government of Abu Dhabi. Accordingly, a net gain of AED 841.9 million was recognised in the profit or loss for the year.

ANALYSIS OF FINANCIAL POSITION

Property, plant and equipment

The overall decrease in property, plant and equipment is due to the impairments and depreciation in addition to the disposition of the Central Market project to the Government of Abu Dhabi during the course of 2011. As a mixed used property, the Central Market costs were classified partly under Property, plant and equipment and the remaining under Investment Properties.

Investment properties

Our investment properties portfolio comprises both completed properties and properties in the course of development including land. The decrease in investment properties is mainly because of the sale of the Central Market project to the Government of Abu Dhabi.

The Group also performs a comprehensive review for the assessment of fair value of its investment properties at each reporting date to bring them in line with their current market values. The majority of the valuations are carried out by an independent valuer using appropriate valuation techniques. As a result the Group has recorded fair value losses of AED 540.7 million on its investment properties.

Development work in progress

Development work in progress was AED 7,133.9 million as at 31 December 2011 compared to AED 13,877.9 million at 31 December 2010. During 2011, total additions (including transfers) to development work in progress were AED 2,595.6 million, which were offset by the costs of residential units completed and transferred to inventories and reimbursement of infrastructure.

Trade and other receivables

The Group's receivables have increased by 38% compared to the balance at 31 December 2010 mainly because of an increase in receivables directly attributable to the asset sale agreements signed with the Government over 2011.

Financing

The Group raises finance from various sources including conventional bank loans, Islamic finances and by issuing corporate bonds or Sukuk in international financial markets.

The Group's external financing at 31 December 2011 comprised borrowings of AED 9,197.6 million, convertible bonds of AED 725.1 million and non-convertible bonds of AED 8,329.8 million. The overall borrowings have decreased compared to 2010 because of the repayments of loans and bonds as per the repayment schedule and partial settlement of the Government loan against the transfer of infra-structure assets to the Government.

Net asset value

The net assets at 31 December 2011 have increased by 67% to AED 7,093.6 million compared to AED 4,246.8 million at 31 December 2010. The increase is contributed by both the profit for the year and the conversion of two debt instruments to share capital of the Company.

ANALYSIS OF CASH FLOWS

The Group had net cash inflows of AED 4,300.3 million from operating activities for 2011. This was primarily due to cash profits for the year, collections from customers and receipts from Government for the sale of land plots and refundable projects.

Cash flows from investing activities are significantly higher than the comparative year because of collection of AED 7.4 billion from the Government against sale of assets and movement in short-term bank deposits matured during the year. The positive cash flows were partly offset by the expenditure on our development projects.

Cash outflows for financing activities were mainly because of repayment of loans and redemption of convertible bonds. This impact was countered to certain extent by raising funds through fresh borrowings and convertible bonds issued to Mubadala Development Company.

Greg Fewer

Chief Financial Officer
13 February 2012

FINANCING

CAPITAL STRUCTURE AND FINANCING

The Group monitors and adjusts its capital structure to ensure long term success of the business while maintaining sustainable returns for its shareholders. This is achieved through regular monitoring of liquidity, aiming to minimise financing costs, extensive investment appraisals and strategically rationing available resources.

Key financial measures that are regularly reviewed include cash flow forecasts, borrowing requirements, assessment of contracted commitments and compliance with borrowing covenants.

FINANCING POLICY

The Group's financing policy aims to minimise its cost of capital through an appropriate mix of debt and equity finance. Whilst maintaining an appropriate risk-reward balance, the optimal capital structure varies amongst individual developments and also the type of project to be developed. The Group raises debt finance from various sources including conventional bank loans, Islamic finances and by issuing corporate bonds or Sukuk in international financial markets. As part of its financing strategy, the Group ensures that the maturities of its borrowings are well spread to match with future cash inflows and adequate committed undrawn facilities are available to support its business requirements.

The Group's primary financing requirements are for funding the development costs of its projects. The Group's strategy for different types of its development is outlined below:

PROPERTIES UNDER DEVELOPMENT

The Group's properties under development comprise both projects for sale and projects to be held as investment property. The Group's residential properties are generally sold ahead of the construction using standard sale agreements requiring the customer to deposit 10 to 20 percent of the purchase price at signing and the remainder in installments up to the handover date. The presale advances from its customers along with additional funding through equity and borrowings are used to finance the development works. For commercial properties, the Group generally uses funds generated through equity and borrowings spread over the development phase. For investment properties under development the Group arranges finance for comparatively extended periods to match the repayments schedule with the related rental income stream.

COMPLETED PROPERTIES

Upon completion of development work, the Group plans to refinance its investment properties with long term borrowings. The Group aims to use the proceeds from the refinancing of investment properties for repayment of the existing borrowings and to invest in new projects.

CURRENT FINANCING ARRANGEMENTS

Details of all existing financing arrangements have been mentioned in Notes 18, 19 and 20 to the financial statements.

RISK MANAGEMENT

The Group has a formal risk management process which identifies key risk areas and assesses the impact and the probability of occurrence of risk event. The risk profile is reviewed and discussed regularly by the Audit Committee and the Board. Mitigating controls are devised and implemented for all risks which may potentially have significant impact on the Group.

The Executive Management Team constantly monitors the market and will continue to identify, assess and manage the Group's risk profile more rigorously. Key risk factors that may be considered in relation to the Group are analysed under two broad categories:

- Operational risks
- Financial risks

OPERATIONAL RISK MANAGEMENT

Operational risks are further divided under the following captions:

a) Property development and construction

Key risks	Consequences	Mitigating controls
Property development		
• Inability to complete development projects on schedule	• Adverse effect on business reputation and market standing. • Financial losses	• Closely monitoring the development programme against market conditions • Rigorous project reviews and proactive procurement strategy
• Undertaking unsustainable projects	• Reputational and financial loss. • Possible penalties	• Developing only high standard projects. • Comprehensive feasibility analysis for every investment opportunity • Newly established Investment Control Process framework
Construction		
• Cost overruns or inadequate project management	• Financial losses. • Operational issues	• Setting up provision for contingent costs overruns in feasibilities • Team of experienced project managers and consultants
• Financial stability and capabilities of suppliers and contractors	• Additional costs resulting in lower profitability. • Reputational loss • Poor performance by suppliers and contractors	• Financial and technical review conducted for contractors before signing of contracts • Continuous monitoring of contractors' performance against set standards

RISK MANAGEMENT (continued)

OPERATIONAL RISK MANAGEMENT (continued)

b) Property investment and management

Key risks	Consequences	Mitigating controls
Market		
• Inability to sell properties due to changes in political and economic conditions or increase in competing supply	• Decline in property values • Impaired market liquidity	• Dedicated in-house team supplemented by external advisors monitor current and future market trends to support decision making
• Global financial crisis leading to continued decline in investor demand	• Decline in property values • Customer facing difficulties in obtaining finance	• Securing regular income streams through long term leases of investment properties
Asset management		
• Reduction in tenants' demand for high end properties • Decline in market rental levels. • Increasing defaults by tenants	• Reduced rental income and increased cost of tenant • Void costs	• Performance of each property is reviewed regularly • Key performance measures such as voids, lease expiry profiles and progress on rent reviews are actively managed to mitigate risks • Targeting low credit risk tenants such as Government departments or large corporations
Investment performance and returns		
• Investments in property or other businesses may not deliver the optimum returns.	• Significant financial losses • Impaired assets	• Investment Committee assesses all new investments, pricing policies and related business plans • Executive Management Team and new Porfolio Management Team continuously monitors performance against targets

c) Business continuity planning

Key risks	Consequences	Mitigating controls
Management		
• Reliance on its small, high calibre senior management team	• Concentration of business knowledge • Inadequate replacements for leavers	• Shared business knowledge among top management • Recruiting and developing high-calibre professionals
Disaster planning		
• Failure to have a proper disaster recovery plan	• Irreparable damage in case of an unforeseen incident	• Proper disaster recovery plans for all risky areas are in place • All assets are insured • Preventive controls
IT integrity and performance		
• Major failure in IT systems	• Financial and reputational loss	• Proper IT back-up plan • Using an outsourced, IT service provider for a fulltime support service

d) Laws and regulation

Key risks	Consequences	Mitigating controls
Legal framework		
• Unexpected changes in the country's economy and Government policies (eg policies relating to foreign ownership)	• Potential impact on business operations	• Regular monitoring of legislative proposals. • Consulting external advisors to understand, and if possible, mitigate the impact of any anticipated changes.
Fraud		
• Inherent risk of misstatement or fraud	• Financial and reputational loss. • Disruption of operations	• Proper segregation of duties • Preventive and detective control procedures • Regular employee surveys to address their concerns
Health, Safety and environment (HSE) issues		
• Non-compliance with HSE regulations	• Reputational damage. • Fines and penalties.	• Specialised HSE team • Well-communicated Health and Safety policy. • Surprise checks and assessments by HSE team. • Programme addressing key environmental issues • Carrying out regular environment-friendly activities

e) Change management

Key risks	Consequences	Mitigating controls
Change implementation		
• Change in management or organisational structure may affect the operations of the business • Inadequate talent management and succession planning	• Inability to continue to deliver business as usual during and after the change process. • Business operations controlled by few people with limited knowledge sharing • Adverse impact on business operation due to resignation/ termination of critical members.	• Planning and implementing change so that it does not impact high risk business areas, resources, systems, processes and stakeholder groups. • Adequate succession planning by developing staff internally so that they can immediately cover the gap arising upon departure of an employee • Maintaining talented staff by keeping them motivated by providing competitive remuneration and appropriate career growth opportunities.

RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as capital risk, credit risk, market risk and liquidity risk.

The Group's Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's overall risk management program focuses on the unpredictability of markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial Risk management is carried out by Group's centralised Corporate Finance team under policies approved by the Board of Directors. The Corporate Finance team identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Corporate Finance team also defines principles for overall risk management, as well as policies covering specific risk areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks, ageing analysis for credit risk and gearing analysis for capital risk.

Wherever possible, the Group seeks to minimise the effects of such risks by using derivative financial instruments to hedge risk exposures. However, the Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk Exposures

The main financial risks the Group is exposed to are as follows:

Capital risk 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 capital structure of the Group comprises debt, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, share premium, reserves and retained earnings.

Key risks	Consequences	Mitigating controls
• Inability to maintain an appropriate capital structure • Excessively high gearing	• Difficulties in providing appropriate returns to the shareholders. • Going concern issue • Inability to meet financial obligations	• Monitoring and adjusting capital structure whenever deemed necessary • Rigorous investment appraisals • Regular cash flow projections • Assessment of ability to meet contracted commitments • Benchmarking gearing levels • Ensuring compliance with borrowing covenants

Credit risk 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 risks	Consequences	Mitigating controls
• Financial default by debtors or bankers.	• Significant financial loss • Impaired liquidity • Inability to meet financial obligations	• Reducing credit risk exposure to any single counterparty or any Group of related counterparties. • Dealing with customers with a good credit standing. • Reviewing the recoverability of receivables on an ongoing basis. • Regular assessment of exposure to individual financial institutions. • Placing deposits only with reputed major banks operating in the UAE.

Liquidity risk Liquidity risk is the risk that the Group fails to maintain sufficient cash and other liquid assets to match its financial obligations.

Key risks	Consequences	Mitigating controls
• Insufficient liquid assets including cash and cash equivalents.	• Inability to meet financial obligations • Non-compliance with liquidity based borrowing covenants	• Appropriate liquidity risk management framework. • Regular monitoring of the Group's short, medium and long-term funding and liquidity requirements. • Continuously reviewing forecast and actual cash flows. • Committed borrowing facilities, together with available undrawn facilities. • Keeping adequate amount of cash and cash equivalents available.

Market risk 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 risks. The Group's risk exposure to foreign currency risk and interest rate risk is described below. The Group is not exposed to other price risks.

Key risks	Consequences	Mitigating controls
Foreign currency risk:		
• The Group may be exposed to foreign currency risk such that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.	• Financial losses • Liquidity issues	• No cross-border trading transactions • Borrow money in foreign currencies where exchange rate is pegged with UAE dirham. • Use of foreign currency swaps
Interest rate risk:		
• The Group is exposed to interest rate risk as the fair value or future cash flows associated with a financial asset or liability will fluctuate because of changes in market interest rates.	• Increased finance costs • Liquidity issues	• Maintaining an appropriate mix between fixed and floating rate borrowings. • Interest rate swaps. • Doing regular sensitivity analyses for exposure to interest rates for both derivatives and non-derivative instruments.

FINANCIAL DISCLOSURES

Numeric disclosures about the Group's exposures to the above risks and risk management procedures have been explained in detail in Note 34 to the financial statements.

BOARD OF DIRECTORS

MR. ALI EID ALMHEIRI, CHAIRMAN

Mr. Ali Eid AlMheiri, a UAE national, is the Executive Director, Mubadala Infrastructure and Mubadala Real Estate & Hospitality, Business Units of Mubadala Development Company. He is the Chairman of Abu Dhabi Finance Company PJSC, Emirates Ship Investment Company LLC and Khadamat Facilities Management LLC. He is also on the Boards of Al Hikma Development Company PJSC and Abu Dhabi Health Services Company PJSC.

Mr. AlMheiri holds an MBA in Finance and BSc in Accountancy from the American University, USA.

DR. SULTAN AHMED AL JABER

Dr Sultan Ahmed Al Jaber a UAE national is the Chief Executive Officer and Managing Director of the Abu Dhabi Future Energy Company (Masdar). Dr. Al Jaber is the Chairman of the Abu Dhabi Ports Company, Abu Dhabi Media Investment Corporation and Sky News Arabia, and serves on the boards of the Advanced Technology Investment Company LLC and Zones Corp. He also serves as UAE Special Envoy for Energy and Climate Change.

Dr. Al Jaber holds a PhD in Business and Economics from the UK and an MBA and a BSc in Chemical Engineering from the US.

MR. KHALIFA SULTAN AL SUWAIDI

Mr. Khalifa Sultan Al Suwaidi a UAE national is the Executive Director of the Direct Investments Department at the Abu Dhabi Investment Council. Prior to his current position in Abu Dhabi Investment Council, Mr. Al Suwaidi was the Deputy Director of the External Funds (Americas) Department at ADIA. He is a member of the boards of National Bank of Abu Dhabi, Etihad Airways, Abu Dhabi National Insurance Co., Abu Dhabi Securities Exchange, Union National Bank (UNB), and UNB-Egypt.

Mr. Al Suwaidi is a CFA and holds an MSc in Finance and BA in Business Administration (Finance) from Seattle University, USA.

MR. CARLOS OBEID

Mr. Carlos Obeid is the Chief Financial Officer of Mubadala Development Company. Mr. Obeid currently serves as the Chairman of the Board of Directors of Mubadala GE Capital, Viceroy Hotel Group and Mubadala CapitaLand Real Estate. He is also a Director of Yahsat, Mubadala Infrastructure Partners (MIP), Abu Dhabi Future Energy Company (Masdar), Injazat Data Systems, Al Waha Capital, Cleveland Clinic Abu Dhabi, Advanced Technology Investment Company (ATIC) and GLOBALFOUNDRIES Inc.

Mr. Obeid, a Lebanese national holds a Bachelor of Science in Electrical Engineering from American University of Beirut, Lebanon and a Masters in Business Administration from INSEAD in Fontainebleau, France.

MR. MANSOUR MOHAMED AL MULLA

Mr. Mansour Mohamed Al Mulla, a UAE national, works as an Advisor in the Structured Finance and Capital Markets unit of Mubadala Development Company. He serves on the Boards of Abu Dhabi Finance PJSC, Abu Dhabi Ports Operating Company PJSC - (Abu Dhabi Terminals), and Al Waha Capital PJSC. He is also a member of Abu Dhabi Future Energy Company's (Masdar) Audit Committee.

Mr. Al Mulla holds a BSc in Business Administration from Portland State University, USA.

MR. SAEED MOHAMED AL MAZROUEI

Mr. Saeed Mohamed Al Mazrouei a UAE national is the Director, Debt Management Office at the Department of Finance.

Mr. Mazrouei holds an MSc in International Securities Investment & Banking from Reading University (UK) and a BSc in Business Administration from Suffolk University (USA).

MR. MARTIN LEE EDELMAN

Mr. Martin Lee Edelman a US national is an advisor to Mubadala Development Company. He has practiced law in the US for 40 years and serves on the Boards of Manchester City Football Club, Avis Budget, Capital Trust and Ashford Hospitality.

Mr. Edelman holds a BA in Politics from Princeton University and SJD in Law from Columbia University USA.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

ALDAR Properties PJSC with its subsidiaries and joint ventures, form a diversified Group of companies with operations in real estate, hotels and hospitality, marinas, golf course, theme parks, education and retail sectors. The Group helps to contribute towards the UAE's growing demands in economically, environmentally and socially responsible ways.

Detailed information about the Group's operational activities is set out in the Business Review section.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the business performance has been set out in the Chairman's statement, Chief Executive's statement, Business Review and Financial Review sections on pages 4 to 41.

DIVIDENDS

The Directors propose a dividend of AED 0.05 per share for the year ended 31 December 2011.

SHARE CAPITAL

During the year, the following transactions occurred which increased the share capital of the Company to 4,085,129,096 shares:

(a) The Group converted the non-interest bearing convertible bonds issued to Mubadala Development Company into 303,734,868 shares of the Company (Please refer Note 17 to the financial statements).

(b) A portion of the mandatorily convertible bonds issued to Mubadala Development Company was converted into 1,203,499,493 shares of the Company (Please refer Note 18a to the financial statements). The new shares were listed on the Abu Dhabi Exchange subsequent to the reporting date.

MAJOR SHAREHOLDERS

As at 31 December 2011, top ten shareholders or affiliated persons known by the Group to beneficially own the shares of the Group were:

Name of the shareholder	Number of shares
Mubadala Development Company	2,001,713,257*
Abu Dhabi Investment Company	161,357,772
National Bank of Abu Dhabi	143,063,634
Tasameem Real Estate Company LLC	89,137,000
Abu Dhabi Retirement Pensions and Benefits Fund	86,250,000
HSBC Bank Plc	65,164,997
HSBC Private Bank Suisse SA, Geneva	43,416,476
Mohammad Naser Al Hajri	36,061,800
National Corporation for Tourism & Hotels	25,396,020
Sheikh Nahyan Bin Zayed Bin Sultan Al Nahyan	22,672,734
Total	**2,674,233,690**

** includes 1,203,499,493 shares which were listed on Abu Dhabi Exchange on 2 January 2012.*

The Government of Abu Dhabi has an indirect shareholding of approximately 61.4 percent in ALDAR through Mubadala Development Company, Abu Dhabi Investment Company, National Bank of Abu Dhabi, Abu Dhabi Retirement Pension and Benefits Fund and National Corporation for Tourism and Hotels and other Government organisations.

SHARE PERFORMANCE

Closing share price on 29 December 2011	AED 0.92 per share
Market capitalisation	AED 3.8 billion
Proposed dividend for the year ended 31 December 2011	AED 0.05 per share

FINANCING

Information on the Group's financing policy is set out in the Financing section on page 42.

RISK MANAGEMENT

Key risks and uncertainties facing the business have been set out in the Risk Management section on pages 43 to 47.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board's Internal Control Policy and key controls have been listed in Corporate Governance section on pages 52 to 55.

HEALTH AND SAFETY

The Group has a formal health and safety policy in place and complies with the Abu Dhabi Municipalities and Agricultural Department's "Health and Safety Codes of Practice for Construction Projects" and associated legislation to ensure the highest possible standards of safety for its employees and contractors. The Group is strongly committed to ensure that the health and safety of its people, contractors, advisors, tenants and general public, is not compromised.

Details about Group's Health and Safety policy have been explained in Health and Safety section on pages 59 to 60.

ENVIRONMENT

The Group is sparing no effort to ensure its compliance with all environmental legislation and other relevant requirements enforced by Abu Dhabi Municipality and Agricultural Department as a minimum standard. The Group is strongly committed to the efficient use of resources, reducing and preventing pollution, and recycling. It is the prime responsibility of the Group to make sure that the development process of its projects is in compliance with the best environmental standards. The Group also encourages its suppliers and contractors working with the Group to adopt similar standards themselves.

Further information on environmental matters is set out on page 59.

CORPORATE SOCIAL RESPONSIBILITY

The Board recognises social responsibilities of the Group and strives to continuously improve its contribution toward its Corporate Social responsibility. Meaningful community engagement and support is encouraged across all our businesses as the Group actively participate in community initiatives and commit to making a positive contribution at all levels. The Group's business activities have an impact on all its employees, suppliers and contractors, tenants, general public as well as on the environment. Accordingly, the Group is committed to continuous improvement of the Group's Corporate Social Responsibility policy.

For further details on the Group's Corporate Social Responsibility and Employment Policies please refer to pages 56 to 58.

DIRECTOR'S LIABILITY INSURANCE

The Group has put in place Director's liability insurance during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will be held on 22 March 2012 in Abu Dhabi.

At the AGM, investors will be given the opportunity to question the Board and to meet with them afterwards. They are encouraged to participate in the meeting.

GOING CONCERN

After making enquiries and examining major areas which could have significant financial exposure the Board of Directors is satisfied that no material or significant exposure exist and that the Group has adequate financial and operational resources to continue its operations for the foreseeable future and, accordingly, the Group continues to adopt the going concern basis for preparing the financial statements.

AUDITORS

A resolution concerning the re-appointment of Deloitte & Touche as auditors and to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Ali Eid AlMheiri
Chairman

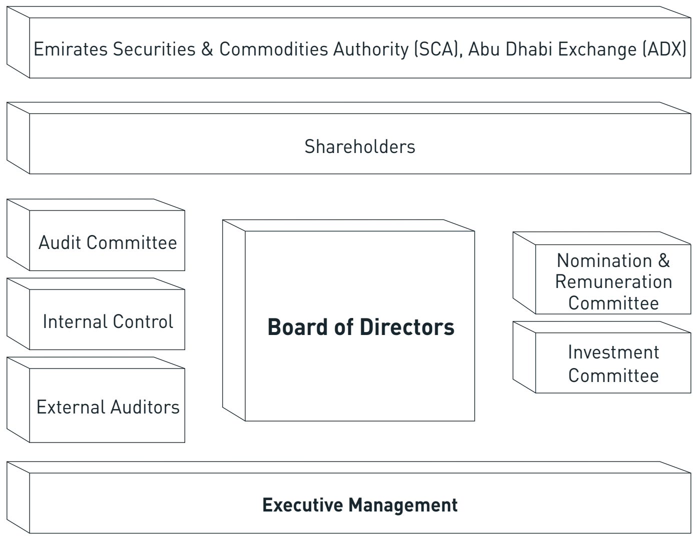
CORPORATE GOVERNANCE

The Board of Directors (Board) is committed to adopt the best standards of Corporate Governance for the best interests of the shareholders of the Group and its other stakeholders. The Board and management of the Group believe high standards in Corporate Governance enhance the Group's performance, transparency, responsibility, accountability and maintenance of full compliance with laws, rules and regulations that govern over the Group's operations.

The Group's Corporate Governance procedures are founded on the principles of exemplary ethical standards and transparency which:

- Put the interests of the Group before those of individual directors, executive managers or employees so that decision making is made ethically and without conflict of interest;
- Ensure that the management of the Group acts transparently and responsibly to add value for the benefit of all of its stakeholders but within guidelines approved by the Board;
- Attract investors to become and remain shareholders in the Group, and lenders to finance the Group's operations;
- Recognise the role which the Group performs within the Emirate of Abu Dhabi and the Group's community and social obligations; and
- Ensure compliance with the Group's legal and regulatory obligations.

The Group operates under the Corporate Governance Framework as depicted below:



THE BOARD OF DIRECTORS

The Board is responsible for setting and directing the strategy, effective control and management of the Group. It oversees the adequacy and effectiveness of corporate governance and internal controls and approves the Group's budget, quarterly and annual Accounts. The Board's Charter clarifies its role and responsibilities in its mandate to provide strategic guidance for the Group and effective oversight of its management and operations. The Board Charter outlines the standards of conduct required of Directors, establishes a policy addressing Director conflicts of interest and details the functioning of the Board as a whole.

The current Board of Directors of Aldar as defined in Article 1 of the Emirates Securities and Commodities Authority Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards (SCA Code) were elected by the shareholders of Aldar for a term of 3 years at the General Assembly of Shareholders held on 21st April 2011 in accordance with the procedures set out in Aldar's Articles of Association and SCA Code. The Board comprises Ali Eid AlMheiri as Chairman, supported by Sultan Ahmed Al Jaber, Khalifa Sultan Al Suwaidi, Carlos Obeid, Mansour Mohamed Al Mulla, Saeed Mohamed Al Mazrouei and Martin Lee Edelman.

All the directors are non-executive and independent except for Mr. Martin Lee Edelman who is deemed non-independent as per provisions stipulated in Article 1 of the SCA Code.

Copies of biographies showing their qualifications and other board and significant Government positions are set in pages 48 and 49 of this Report.

The Board met regularly during the year and monitored the Group's strategy, reviewed performance, ensured adequate funding and examined major development projects, formulated policy on key issues, approved and reported to the shareholders the quarterly and annual Accounts.

BOARD COMMITTEES

In addition to the requirements of Article 6 of the SCA Code defining the mandatory and permanent committees, the Board has established the following committees:

- Audit Committee (mandatory)
- Nomination and Remuneration Committee (mandatory)
- Investment Committee

<u>Audit Committee</u>

The Audit Committee's primary role is to provide objective review and advice to the Board on its oversight responsibility in relation to the:

- Integrity over the Accounts and financial reporting process;
- Independence, competency, performance and remuneration of the external auditors;
- Effectiveness and efficiency of the internal control systems;
- Competency and performance of the Internal Control function; and
- Compliance to regulatory requirements including internal policies and procedures and other corporate governance activities.

In 2011, the Audit Committee was reconstituted following the election of a new Board at the AGM on 21st April 2011 the current composition of the Committee is Mansour Mohamed Al Mulla as Chairman, Khalifa Sultan Al Suwaidi and Saeed Mohamed Al Mazrouei.

<u>Nomination and Remuneration Committee</u>

The Nomination and Remuneration Committee is tasked with:

- Verifying the on-going independence of independent members of the Board of Directors.
- Developing and annually reviewing the remuneration policies of the Group.
- Determining the required core executive management and senior employees and the basis for choosing them.
- Developing, controlling, applying and annually reviewing the human resources and training policy of the Group.
- Implementing the procedures for nomination to the membership of the Board of Directors.

Following the election of a new board at the AGM, the Nomination and Remuneration Committee was reconstituted. The new Committee members comprised Carlos Obeid, Chairman, Sultan Ahmed Al Jaber and Mansour Mohamed Al Mulla.

<u>Investment Committee</u>

The Investment Committee is responsible for the review and approval or recommendation to the Board on its evaluation of projects at their various stages throughout the development cycle in accordance with the developmental control process (DCP) to ensure the projects are consistent with the Group's strategies and goals.

The current members of the Investment Committee comprise Carlos Obeid, Chairman, Sultan Ahmed Al Jaber and Mansour Mohamed Al Mulla.

All the Committees continue to be comprised of non-executive and independent members of the Board and met regularly during the year and discharged their activities as outlined in their Charters.

EXECUTIVE MANAGEMENT

To oversee the day to day financial and operational performance of the Group and assist the Board in discharging its oversight responsibility, key management committees have been established:

- Executive Management Team
- Tender Committees A & B
- Risk Management Committee
- Commercial Committee
- Enterprise Information Security Committee
- Communication and Integration Group Committee
- Special Cases Committee

Each of the various committees are governed by their respective Charter which outlines their appointment, composition, authorities, responsibilities, selection and function of the Chairman and how they operate as well as reporting and evaluation of their performance annually.

EXECUTIVE MANAGEMENT TEAM

While matters relating in particular to Group's strategies, policies and business plan require the Board's direction and approval, the day-to-day business operations in accordance with the laid down strategies are delegated to the Executive Management Team under the Chief Executive Officer's leadership and supervision. The current members comprise Sami Asad as the Chief Executive Officer, Mohammed Al Mubarak as Deputy CEO, Greg Fewer appointed by the Board as Chief Financial Officer in place of Shafqat Malik who resigned from his post effective 31st October 2011, and Brett Scrymgeour, Head of Legal appointed on 15th January 2012.

CORPORATE GOVERNANCE (continued)

INTERNAL CONTROL

In accordance with SCA Code Article 8 concerning Internal Control, the Board has the overall responsibility to maintain a sound and effective internal control system for the Group and to review their effectiveness to safeguard shareholders' investment and Aldar's assets. To this end, an internal control and risk management system has been established to provide reasonable, though not absolute, assurance against material misstatement or loss, and manage or mitigate rather than eliminate risks of failure to achieve business objectives.

The internal control system aims to assess the:

- Company's risk management means and measures;
- sound application of governance rules;
- verification of compliance with applicable laws, regulations and resolutions as well as internal policies and procedures; and
- controls over the financial information used for drafting the financial statements.

Aldar's Board has overall responsibility in relation to the Group's internal control systems. Aldar's Internal Control Department (ICD or the Department) carries out the internal control activities under the supervision of the Audit Committee and direction of the Board of Directors.

The Board has defined the objectives, duties and powers of the ICD as outlined in the Department's charter. The Board through the Audit Committee ensures that an annual review is conducted on the effectiveness of the Group's internal controls systems. The annual review and assessment of internal controls are carried out through the work performed by the Department's reviews and the Compliance Officer in addition to the financial statements audit conducted by the external auditors.

ICD's primary responsibility is to review the effectiveness of the internal controls within the Group through a schedule of reviews (Annual Plan) of several of the Group's processes approved by the Audit Committee. The Annual Plan is developed through the prioritisation of the Group's processes based on an annual risk assessment exercise. The execution of the Plan provides an annual assessment on the adequacy and effectiveness of the Group's key processes controlling its activities and managing its key risks. It also serves the purpose of fulfilling the Board's responsibility in relation to ensuring the efficiency of the internal control system as defined by Article 8 of the SCA Code.

To ensure a proper degree of independence in carrying out its mandate, the Head of the Department has direct access to the Board, functionally reports to the Audit Committee and administratively to the Chief Executive Officer. The Department is headed by Haider Najim who is a Certified Public Accountant and Certified Internal Auditor. He is an auditor by profession with over 14 years of experience providing assurance and advisory services to companies mostly in construction and financial services sectors.

A report is prepared at the end of every ICD engagement and issued to the party under review and circulated to the Chairman of the Board, Executive Management, and all the Audit Committee members. The Audit Committee receives on a quarterly basis an update on the progress to the Plan and a summary of the issues highlighted in the reports circulated during that quarter by the Department.

The Group's Executive Management is responsible for developing effective internal controls. Internal controls cover all aspects of the Group's operations, methods and activities including:

- A comprehensive system of reporting, budgeting and planning, that is approved by the Board and against which performance is monitored;
- An organisational structure with clearly defined levels of authority and divisions of responsibilities;
- A code of business conduct under which the Group's business must operate;
- An annual performance appraisal process for monitoring the quality and competencies of the Group's personnel;
- Procedures to ensure complete and accurate accounting and to limit the potential exposure to loss of assets or fraud; and
- Robust policy and procedures, whilst recognising that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable but not absolute assurance against material misstatement or loss.

EXTERNAL AUDIT

In 2011, Deloitte & Touche (D&T) acted as the External Auditor of the Group. The primary service provided by D&T was to conduct quarterly reviews and an annual audit of the Group's Accounts in accordance with the International Standards on Auditing.

The Audit Committee meets with the external auditors to review and discuss with them the scope, quality, effectiveness and conclusions of

their work. The Committee has considered the provision of non-audit services performed by the auditors and was satisfied they were and continue to be objective and independent of the Group.

The external auditor attends and presents to the Audit Committee the results of quarterly reviews and the annual audit of the Accounts. In addition, they also attend the General Assembly meeting and are available to answer questions.

CODE OF BUSINESS CONDUCT

The Group operates under a Code of Business Conduct which identifies the ethical parameters within which the Group's businesses must operate. It applies to all Group employees, consultants, contractors, suppliers and all other parties with whom the Group conducts business.

TRADING IN SECURITIES OF THE COMPANY

The Company has established a policy governing when directors and employees can trade in securities of the Company. This policy has been circulated to all directors and staff and designed to eliminate insider trading and other unethical share trading practices.

COMPLIANCE WITH SCA CODE

In 2011, the Board and the Executive Management reviewed the Group's Corporate Governance adopted procedures and structures and where appropriate amended them to ensure full compliance with the SCA Code. The Board is satisfied that the Group fully complied with the SCA Code.

CORPORATE RESPONSIBILITY

The Group continues to be committed to conduct business in a socially responsible manner, through ensuring the health and safety of our employees, protecting the environment and through effective engagement with all of our stakeholders. The Group's comprehensive Corporate Responsibility policies are managed through a transparent governance structure which includes full support from the Board of Directors to individual employees. Key CR issues are discussed in the day-to-day planning processes of the Group's activities and are reviewed by top management in order to maintain our responsible business performance. The Group is committed to producing CR Reports; with our next reporting date scheduled for June 2013 as per Aldar's obligation to Abu Dhabi Sustainability Group (ADSG). The Group is a member of the General Secretariat of the ADSG, and has been successfully re-elected for a second term running to 2013.

Given the physical and social effect of our work, particularly our developments, it is important that the Group takes into consideration the views of the communities affected by its actions. Keeping good and open relationships with all stakeholders remains a central principle behind our approach.

A primary stakeholder in the work that we do is the Abu Dhabi Urban Planning Council which oversees urban master-planning, addressing sustainability as a core principle through their Estidama programme. Estidama, which means sustainability in Arabic, is the legacy of the late Sheikh Zayed bin Sultan Al Nahyan and is a manifestation of visionary governance promoting responsible development.

Estidama is not just a rating method or something people do, it is a vision and a desire to achieve a new sustainable way of life in the Arab world. The ultimate goal of Estidama is to preserve and enrich Abu Dhabi's physical and cultural identity, while creating an always improving quality of life for its residents on four equal pillars of sustainability: environmental, economic, social, and cultural. This touches all aspects of life in Abu Dhabi - the way we build, the way we resource, the way we live, the choices we make - all in an effort to attain a sustainable state of living.

UPC has introduced a suite of Pearl Rating Systems (PRSs) to promote the development of sustainable buildings, communities and villas, and improve quality of life. Achievement of a sustainable outcome requires the integration of the four pillars of Estidama together with a collaborative and inter-disciplinary approach to building development known as the Integrated Development Process. The PRSs encourage water, energy and waste minimization, local material use and aim to improve supply chains for sustainable and recycled materials and products. Ratings run from 1-Pearl to 5-Pearls with the higher rating attaining a greater sustainable credits score. Aldar is currently building a number of developments, successfully incorporating the Estidama principles and mandates.

CORPORATE RESPONSIBILITY (CR)

POLICY STATEMENT

The Group is responsible for creating, owning and maintaining communities and associated Infrastructure for the long term benefit of the Emirate of Abu Dhabi, in line with Plan Abu Dhabi 2030 and Plan Al Ain 2030. Through its business activities, Aldar is striving to be fully aligned with the vision of H.H. Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and the mission of the Abu Dhabi Government to establish Abu Dhabi as a Sustainable Arab Capital City.

To support this goal Aldar, as the major property company in the Emirate of Abu Dhabi, understands its responsibility and is committed to creating attractive, modern, and efficient and sustainably built environmental communities to high quality standards that balance the needs and wellbeing of users with the sustainability of the environment, whilst maintaining the unique heritage and culture of the UAE.

The Group will aspire to achieve this through adopting the principles of sustainable management practices, including:

• The judicious use of natural resources across the whole life of a development from planning, design, construction, and asset management.

• Identification, recognition and understanding the needs of all our stakeholders.

• Implementation of management systems that foster continuous improvement, effective decision making, and responsible risk management.

• Constant evaluation, and where appropriate, incorporate the use of innovative technical solutions.

• Corporate governance framework that will seek to disclose information openly and transparently beyond legal requirements.

• Corporate Responsibility reporting with commentary and clarification of our methods in responsible management.

• Application of ethical business practices founded on the principles of honesty and trust.

• Commit to the provision of a good working environment that promotes wellbeing, equity, dignity and respect across diverse cultures.

• Promotion of the highest standards of health, safety and security for Aldar employees and all who work on our behalf, as well as to other users of our facilities (residents and visitors).

• Directing our supply chain to continually improve their responsible business performance and support for the local economy.

• Raising awareness and understanding amongst our stakeholders with respect to the protection of culture, heritage, and ecology.

• Creating a balance between development needs, effective conservation of nature and enhancement of the local ecology.

• Acknowledgement that climate change presents very serious global risks that require our active response.

The success and implementation of this statement relies on the

leadership of the Group's Executive Management Team (EMT) and employees alike.

The Group's approach to its Corporate Responsibility is based upon People, Community, Health, Safety, Security and Environment.

PEOPLE

The resilience of the Group's business depends on a range of stakeholders, including its employees, customers and, suppliers and contractors.

A.EMPLOYEES

The Group has around 1062 employees from more than 46 countries. Our goals are to recruit and retain the most motivated and talented people, and to build successful teams. The Group aims to do this by creating a stimulating work environment where diverse backgrounds are valued, talents are nurtured, and work and family commitments can be balanced. The Group offers attractive incentives and career development opportunities to keep its employees engaged and motivated.

Despite the changing market conditions and having to respond decisively by taking business decisions to address staff numbers, The Group still focuses on leadership and development to retain its most gifted employees. The Group is committed to providing Equal Opportunities in employment regardless of age, sex, marital status, disability, colour, race, nationality or ethnic or national origin. This applies to recruitment, training, promotion and all other aspects of ethical employment norms.

Everyone associated with the Group, whether an employee or not, must behave in accordance with the principles set out in the Equal Opportunity Policy in order to ensure that it is observed and implemented. Any act of discrimination, which includes harassment of any sort, is viewed extremely seriously by the Group and will constitute a serious disciplinary offence which may lead to dismissal. The Group always seeks to uphold its values and to treat people with respect, integrity and fairness.

B. STAFF ACTIVITIES

The Group organises various activities and events every year for its staff to enhance interaction between different teams and enabling colleagues to socialise with each other outside the workplace. During 2011, the Group organised dragon boat racing, golf and football tournaments, plus several other events for its staff.

C. CUSTOMERS

The Group is committed to develop and maintain excellent and long lasting relations with its customers. The Group's aim is to provide innovative projects and class leading services for its customers in the real estate, hotels and hospitality, schools and leisure sectors. The Group has a firm belief that high quality customer service is a key competitive advantage which elevates Aldar above its competitors. An example of this is Aldar's CONNECT community portal which allows our customers to engage inter-actively with Aldar, their neighbours and the local businesses that serve them.

D. CONTRACTORS AND SUPPLIERS

The Group strives to conduct its business in a manner that reflects its vision and brand essence. With the procurement base expanding, the Group only engages contractors, service providers and suppliers who are committed to a long-term relationship of mutual growth and trust. It is the responsibility of all suppliers and contractors to make sure that the principles on which the Aldar vision and brand is founded are adhered to. The Group has launched the "Supplier Relations home page" with the objective of providing potential suppliers with an online platform to register with us.

The Group has a passion to protect the environment, selecting suppliers and contractors who share this ethos, working in full compliance with all relevant environmental codes and guidelines.

The Group also expects the highest standards of integrity and conduct from its suppliers in all business relationships. Unethical behaviour of any sort encountered during the course of business is referred to the Group's top management immediately.

COMMUNITY

The Group recognises its social responsibilities and strives to continuously improve its performance in the areas of health, safety, security, environment protection and community activity. This is a focus across all of our businesses as the Group participates in community initiatives and commits to making a positive contribution at all levels. The Group seeks opportunities to share its experiences with the communities in which it operates, and acknowledges the unique values of local community partnership based on mutual respect and long-term commitment.

During the year the Group, through its staff, supported a number of community events, such as:

Box Appeal 2011: In support of construction workers this appeal asks donors to give a small box packed with daily essentials such as comb, toothpaste, toothbrush, cap, T-shirt etc. Some 10,000 boxes were donated and Aldar Group staff played their part in this worthy campaign.

Women's Breast Health Awareness: On 28 October 2011 Aldar staff wore pink to support and raise money for this campaign. A cookie/cupcake bake sale added further funds and raised a smile during the busy workday.

November – Changing the Face of Men's Health: A number of staff, the Aldar MoBros, supported this international awareness campaign by growing moustaches within the month of November. Prizes were awarded for the most stylish and well groomed moustache. Internationally the campaign raised vital funds for men's health – specifically prostate cancer – achieving a total of nearly AED 456,000,000 globally.

Climb For Cancer: Aldar staff rallied to support their colleague Zeina Abdo in her Himalaya Island Peak mission – climbing to a challenging 6,198m. With other volunteers this Climb for Cancer event targeted over US$ 200,000 of funding support for the King Hussein Cancer Centre, Jordan.

Community Lectures: The Aldar Group organized a series of Community Lectures to reflect its support to Abu Dhabi Sustainability Group. Distinguished speakers included Sheikh Abdul Aziz bin Ali al Nuaimi (The Green Sheikh), Robert Swan OBE (Double Polar Explorer) and Michael Braungart (Visionary Environmental Thinker). The theme of these lectures ranged from environmental conservation and culture in the local context, to polar zone preservation, and cradle to cradle living principles. Throughout these presentations the importance of vision, leadership and commitment were stressed.

Sustainable Schools Initiative: In 2011 Aldar Academies joined this important programme which is championed by Environment Agency Abu Dhabi. This programme mandates participating schools to assess and address their environmental performance across five key areas – air, water, land, energy and waste. Each year awards and prizes are distributed to the best performing schools.

Make UAE Plastic Bag Free: Aligning with the UAE Ministry of Environment and Water, and Environment Agency Abu Dhabi, all Aldar HQ staff were presented with a re-usable long life shopping bag to support the reduction in use of "throw-away" non-degradable plastic bags which are blighting the environment.

Paperless Day: This is a global initiative organized by Environment Agency Abu Dhabi and supported by the United Nations. On this day Aldar committed to cease all unnecessary use of paper and to make better paper related decisions, savings hundreds of kilograms in carbon emissions. Collectively the organizations and schools that took part saved 9,863 Kgs of CO2.

Earth Hour 2011: Hundreds of millions of people, businesses and Governments around the world unite each year to support the largest environmental event in history – Earth Hour. In 2011 more than 5,200 cities in 135 countries worldwide switched off their lights for Earth Hour, on the last Saturday in March, between 8:30pm – 9:30pm in their local time zones. Iconic Aldar built structures including HQ and Yas Hotel participated and now feature in the Earth Hour 2012 campaign video.

Turtle Rescue: The Group continued its support throughout 2011 for the Turtle Rehabilitation Centre based at Burl Al Arab Hotel, Dubai. Aldar is a focal point of contact within Abu Dhabi for people encountering distressed and injured turtles. We were very pleased to participate in two "mass releases" of rehabilitated turtles during the year – showing that our care and commitment within Aldar does make a real difference.

START Initiative: In support of Masdar's roadmap for sustainability, the START initiative is an employee engagement campaign showing that change happens at an individual level for better decision making and environmentally conscientious lifestyle. The primary components for change include water, energy, waste and transport. Aldar Group continues to roll the campaign out across its businesses.

Fight Diabetes: In November 2011 Aldar Group staff took part in the Walk for Life at Yas Marina Formula 1 Circuit, which was organised by the Imperial College London Diabetes Centre under the patronage of Her Highness Sheikha Fatima bint Mubarak. Over 16,000 people attended this important health awareness event for Abu Dhabi with the message for all to take charge of their lifestyle by embracing a healthy diet and taking regular exercise to prevent diabetes.

Blood Bank Drives: Aldar joined with Sheikh Khalifa Medical City and planned a Blood Donor Drive around World Blood Donor day which fell on 14 June 2011. Aldar arranged donor days at HQ, Yas Island Project Offices, Yas Plaza Hotels, Gardens Plaza ARG, Al Bandar, Yas Operative Villages and the Yas Hotel. The participation of caring individuals made this drive a great success with blood donations approaching 250 units.

ENVIRONMENT, HEALTH, SAFETY AND SECURITY (EHSS)

IN 2011 ALDAR MAINTAINED ITS DEDICATION TO PROVIDING A SAFE WORKING ENVIRONMENT FOR ITS EMPLOYEES AND ALL THOSE WHO WORK ON ITS BEHALF. ON AVERAGE THE BUSINESS HAD 68,759 STAFF ON SITE DAILY AND THE TOTAL MAN HOURS WORKED WAS 204,560,593 DURING THE YEAR.

Accordingly, proactive Environmental Health, Safety and Security (EHSS) management continues to be absolutely intrinsic to everything we do and is integrated into our core business activities. To ensure adherence to high standards, Aldar's Corporate EHSS Department conducts a rigorous in-house audit and inspection programme. Through this programme our aim is to maintain breaches of regulations at a zero level, and we actively encourage an open dialogue policy in our dealings with all regulatory agencies.

Our responsible stakeholder liaison activities also led us to engage dynamically, through our development projects, in processes to protect and preserve the environment including habitats and species native to the Emirate of Abu Dhabi. An example of this is our attention to the preservation of native plants such as mangroves, which play a crucial role as breeding, nursery and feeding areas for a great variety of life, including endangered and threatened species. Mangroves also support coastal stabilisation, marine water purification and act as a "Blue Carbon" sink plantation.

HSSE POLICY STATEMENT

Aldar is committed to the continuous improvement of EHSS performance to achieve the greatest benefit for all our stakeholders. It is the Group policy to meet or where reasonably practicable exceed local or applicable EHSS laws and regulations, and to facilitate full and open discussion to address responsible standards and practices where laws and regulations do not exist. Accordingly, this EHSS Policy is a standard by which the Group is continually measured.

Goals of the Group under this policy are as follows:

Operations: Make EHSS a core component in the planning, design, construction and operation of all our facilities, including the integration of physical risk management into our business decisions.

Establish a system for total employee involvement in EHSS processes and the means to measure that participation.

Communications: Promote EHSS awareness among all who work on our behalf and in the communities where we operate.

Cooperate and coordinate, in the spirit of partnership, with local, state and federal authorities and other stakeholders on EHSS matters and incidents.

Evaluation: Incorporate EHSS 'Key Performance Indicators' into our management reporting systems.

Recognise EHSS excellence as a component of the performance review process for each employee.

Perform EHSS compliance audits at a frequency appropriate to the size and nature of the operations and facilities, and implement time-bound corrective actions.

Evaluate EHSS incidents through the identification of root cause and implementing short and long term corrective actions.

Responsibility: Each employee is responsible for compliance with this EHSS policy and for implementation within his or her area of work.

The leadership of each business unit is responsible for implementing management systems with appropriate standards and procedures in support of this EHSS policy.

INDEPENDENT AUDITOR'S REPORT

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

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)
Saba Y. Sindaha
Registration Number 410
13 February 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

ASSETS	Notes	2011 AED'000	2010 AED'000
Non-current assets			
Property, plant and equipment	5	4,866,346	6,675,138
Intangible assets	6	7,954	24,664
Investment properties	7	6,000,675	8,293,830
Investment in associates and joint ventures	8	647,118	542,647
Available-for-sale financial assets	9	170,658	144,590
Trade and other receivables	10	7,172,531	3,546,094
Other financial assets		-	1,379
Total non-current assets		18,865,282	19,228,342
Current assets			
Assets held for sale	30(b)	-	5,931,847
Development work in progress	11	7,133,911	13,877,865
Inventories	12	4,719,722	422,054
Trade and other receivables	10	5,241,319	5,452,541
Cash and bank balances	13	4,157,680	2,431,533
Total current assets		21,252,632	28,115,840
Total assets		40,117,914	47,344,182

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

EQUITY AND LIABILITIES	Notes	2011 AED'000	2010 AED'000
Capital and reserves			
Share capital	14	4,085,129	2,577,895
Share premium	15	7,984,873	3,823,173
Share issuance costs, net	14	(79,920)	(79,920)
Statutory reserve	16	876,319	812,070
Hedging reserve		(52,968)	(98,186)
Fair value reserve		34,630	(18,500)
Convertible bonds – equity component		-	181,293
Non-interest bearing convertible bonds	17	-	3,562,810
Accumulated losses		(5,754,488)	(6,513,959)
Attributable to owners of the Company		7,093,575	4,246,676
Non-controlling interests		-	109
Total equity		7,093,575	4,246,785
Non-current liabilities			
Convertible bonds – liability component	18	693,876	-
Non-convertible bonds	19	8,329,781	8,320,444
Borrowings	20	4,117,502	9,440,619
Retentions payable		1,486,290	1,437,878
Provision for end of service benefit	21	46,981	48,744
Security deposits		1,998	26,279
Other financial liabilities		36,408	26,321
Total non-current liabilities		14,712,836	19,300,285
Current liabilities			
Convertible bonds – liability component	18	31,177	4,338,320
Borrowings	20	5,080,133	10,472,532
Advances from customers	22	4,740,002	2,687,581
Trade and other payables	23	8,460,191	6,171,089
Other financial liabilities		-	127,590
Total current liabilities		18,311,503	23,797,112
Total liabilities		33,024,339	43,097,397
Total equity and liabilities		40,117,914	47,344,182

Ali Eid AlMheiri
Chairman

Sami Asad
Chief Executive Officer

Greg Fewer
Chief Financial Officer

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 AED'000	2010 AED'000
Revenue	24	6,742,590	1,791,107
Direct costs	25	(5,097,065)	(1,503,010)
Gross profit		1,645,525	288,097
Selling and marketing expenses	26	(35,486)	(83,440)
General and administrative expenses:			
Staff costs	27	(243,812)	(313,497)
Depreciation and amortisation		(590,263)	(514,125)
Pre-opening expenses of operational businesses		(3,441)	(80,608)
Impairments/write-offs on projects		(1,822,367)	(2,898,393)
Loss on cancellation of sales	10.1	(40,047)	(804,750)
Provision for impairment of trade receivables	10.1	-	(605,106)
Provision for impairment of receivables from/ investment in associates and joint ventures	10.5	(174,126)	-
Provision for impairment of amounts due from a related party	10.6	(201,025)	-
Provision for onerous contracts	23	(252,005)	-
Other general and administrative expenses		(132,002)	(187,389)
Share of profit/(loss) from associates and joint ventures	8	102,387	(27,584)
Fair value loss on investment properties	7	(540,732)	(6,992,427)
Impairment loss on available-for-sale financial assets	9	(38,500)	-
Finance income	28	122,347	262,804
Finance costs	29	(1,104,473)	(717,792)
Other income	30	3,950,511	15,796
Profit/(loss) for the year		642,491	(12,658,414)
Profit/(loss) for the year attributable to owners of the Company		642,491	(12,658,414)

Earnings/(loss) per share			
		AED per share	
Basic	31	0.15	(4.39)
Diluted	31	0.15	(4.39)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 AED'000	2010 AED'000
Profit/(loss) for the year	642,491	(12,658,414)
Other comprehensive income		
Gain/(loss) on fair valuation of available-for-sale financial assets	34,630	(18,500)
Impairment loss on available-for-sale financial assets transferred to profit or loss	18,500	-
Hedging losses transferred to carrying amounts of hedged items	47,981	255,821
Hedging losses recognised in profit or loss	12,598	75,130
Changes in fair value of cash flow hedges	(15,361)	(63,478)
Directors' remuneration	-	(15,400)
	98,348	233,573
Total comprehensive income/(loss) for the year	740,839	(12,424,841)
Total comprehensive income/(loss) for the year attributable to owners of the Company	740,839	(12,424,841)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Share capital	Share premium	Share issuance costs, net	Statutory reserve	Hedging reserve	Fair value reserve	Convertible bonds – equity component	Non-interest bearing convertible bonds	Accumulated losses	Attributable to owners of the Company	Non- controlling interests	Total
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2010		2,577,895	3,823,173	(79,920)	812,070	(365,659)	-	181,293	3,562,810	6,288,750	16,800,412	109	16,800,521
Loss for the year		-	-	-	-	-	-	-	-	(12,658,414)	(12,658,414)	-	(12,658,414)
Other comprehensive loss		-	-	-	-	267,473	(18,500)	-	-	(15,400)	233,573	-	233,573
Dividend for the year 2009		-	-	-	-	-	-	-	-	(128,895)	(128,895)	-	(128,895)
Balance at 1 January 2011		2,577,895	3,823,173	(79,920)	812,070	(98,186)	(18,500)	181,293	3,562,810	(6,513,959)	4,246,676	109	4,246,785
Profit for the year		-	-	-	-	-	-	-	-	642,491	642,491	-	642,491
Other comprehensive income		-	-	-	-	45,218	53,130	-	-	-	98,348	-	98,348
Conversion of bonds into shares	17	303,735	3,259,075	-	-	-	-	-	(3,562,810)	-	-	-	-
Issue of new shares	14	1,203,499	902,625	-	-	-	-	-	-	-	2,106,124	-	2,106,124
Purchase of non-controlling interests		-	-	-	-	-	-	-	-	(64)	(64)	(109)	(173)
Equity component of convertible bonds transferred to retained earnings upon maturity		-	-	-	-	-	-	(181,293)	-	181,293	-	-	-
Transfer to statutory reserve	16	-	-	-	64,249	-	-	-	-	(64,249)	-	-	-
Balance at 31 December 2011		**4,085,129**	**7,984,873**	**(79,920)**	**876,319**	**(52,968)**	**34,630**	**-**	**-**	**(5,754,488)**	**7,093,575**	**-**	**7,093,575**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 AED'000	2010 AED'000
Cash flows from operating activities		
Profit/(loss) for the year	642,491	(12,658,414)
Adjustments for:		
Depreciation and amortisation	590,263	514,125
Finance income	(122,347)	(262,804)
Dividend income	(5,658)	(3,379)
Finance costs	1,071,417	682,056
Amortisation of prepaid finance costs	33,056	35,736
Gain on sale of assets held for sale	(841,934)	-
Government grant income	(3,100,398)	-
Impairment loss of available-for-sale financial assets	38,500	-
Fair value loss on investment properties	540,732	6,992,427
Share of (profit)/loss from associates and joint ventures	(102,387)	27,584
Provision for onerous contracts	252,005	-
Impairments/write-offs on projects	1,822,367	2,898,393
Provision for impairment of trade receivables/cancellations	40,047	1,409,856
Provision for impairment of amounts due from a related party	201,025	-
Provision for impairment of receivables from/ investment in associates and joint ventures	174,126	-
Gain on disposal of property, plant and equipment	(1,344)	(181)
Exchange gains	-	(4,328)
Provision for end of service benefit, net	431	14,821
Operating cash flows before changes in working capital	1,232,392	(354,108)
Changes in working capital:		
Decrease in trade and other receivables	274,684	763,220
Decrease/(increase) in development work in progress	823,112	(2,701,688)
Decrease/(increase) in inventories	504,789	(320,693)
Increase/(decrease) in retentions payable	48,412	(148)
(Decrease)/increase in security deposits	(24,281)	520
Increase in advances from customers	2,052,421	243,318
Decrease in trade and other payables	(611,278)	(345,213)
Net cash generated from/(used in) operating activities	4,300,251	(2,714,792)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 AED'000	2010 AED'000
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(245,123)**	(1,742,561)
Proceeds from disposal of property, plant and equipment	**1,588**	567
Payments for purchases of intangible assets	**(2,608)**	(8,846)
Additions to investment properties	**(1,938,832)**	(2,587,084)
Payments for investment in available-for-sale financial assets	**(21,438)**	-
Government grant received for the sale of an asset	**998,878**	-
Proceeds from disposal of investment in available-for-sale financial assets	**5,000**	-
Proceeds from disposal of held-for-sale assets	**7,412,475**	-
Finance income received	**75,579**	364,026
Dividends received	**13,908**	82,642
Movement in term deposits with original maturities above three months	**1,121,739**	6,082,667
Movement in restricted bank balances	**(124,946)**	(216,411)
Payment for purchase of share of non-controlling interest	**(173)**	-
Net cash generated from investing activities	**7,296,047**	1,975,000
Cash flows from financing activities		
Issue of convertible bonds	**2,800,000**	-
Financing raised	**2,151,941**	4,795,482
Repayment of borrowings	**(7,895,470)**	(4,293,022)
Finance costs paid	**(1,590,685)**	(1,385,537)
Payment on redemption of convertible bonds	**(4,070,022)**	-
Distribution to convertible bond holders	**(268,298)**	(250,843)
Dividends paid	**(824)**	(125,738)
Directors' remuneration paid	**-**	(15,400)
Net cash used in from financing activities	**(8,873,358)**	(1,275,058)
Net increase/(decrease) in cash and cash equivalents	**2,722,940**	(2,014,850)
Cash and cash equivalents at the beginning of the year	**648,236**	2,663,086
Cash and cash equivalents at the end of the year (Note 13)	**3,371,176**	648,236

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 GENERAL INFORMATION

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

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

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

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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

International Financial Reporting Standards include: Standards – comprising International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) and Interpretations – comprising explanations originated from the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) as adopted by the International Accounting Standards Board (IASB).

2.1 NEW AND REVISED IFRSs APPLIED AFFECTING PRESENTATION AND DISCLOSURE

The following new and revised Standard has been adopted in the current year in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 2.2.

Amendments to IAS 24 Related Party Disclosures modify the definition of a related party and simplify disclosures for Government-related entities. The Group has elected to provide comparative information for these disclosures in the current year (see Note 32).

2.2 NEW AND REVISED IFRSs APPLIED WITH NO MATERIAL EFFECT ON THE FINANCIAL STATEMENTS

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

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendments give first time adopters the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 NEW AND REVISED IFRSs APPLIED WITH NO MATERIAL EFFECT ON THE FINANCIAL STATEMENTS (continued)

New and revised IFRSs	Summary of requirements
Amendments to IFRS 3 *Business Combinations*	The amendments clarify the measurement choice regarding non-controlling interests at the date of acquisition and regarding the accounting for share-based payment awards held by acquiree's employees.
Amendments to IAS 1 *Presentation of Financial Statements*	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.
Amendment to IAS 32 *Classification of Rights Issues*	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	The amendments address when refunds or reductions in future contributions should be regarded as available; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of a prepaid minimum funding contribution.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments.
Improvements to *IFRSs* issued in 2010	The application of *Improvements to IFRSs* issued in 2010 which amended IFRS 7, IAS 27, IAS 34 and IFRIC 13.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (continued)

2.3 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendment to IFRS 1 *Severe Hyperinflation*	1 July 2011
Amendment to IAS 12 *Income Taxes* relating to Deferred Tax – Recovery of Underlying Assets	1 January 2012
Amendment to IAS 1 *Presentation of Financial Statements* relating to presentation of items of other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting of financial assets and financial liabilities	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendment to IAS 32 *Financial Instruments: Presentation* relating to offsetting of financial assets and financial liabilities	1 January 2014
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

Management anticipates that these amendments will be adopted in the financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 BASIS OF PREPARATION

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

3.3 BASIS OF CONSOLIDATION

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

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

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties.
Al Jimi Mall LLC	100%	UAE	Development and management of investment property.
Addar Real Estate Services LLC	100%	UAE	Property development.
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of, and investment in, properties.
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services.
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services.
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings.
Farah Leisure Parks Management LLC	100%	UAE	Supervise, manage and operate theme parks.
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services.
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery.
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities.
Yas Marina LLC	100%	UAE	Ownership, development and management of marinas and related activities.
Yas Yacht Club LLC	100%	UAE	Management of yachts and marine sports.
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels.
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs.
Al Muna Primary School LLC	100%	UAE	Providing educational services.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 BASIS OF CONSOLIDATION (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

3.4 INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint venture are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less dividends received and less any impairment in the value of individual investments. The Group's share in the joint venture's results is recorded in the consolidated income statement.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

3.5 INVESTMENT IN ASSOCIATES

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less dividends received and less any impairment in the value of individual investments. The Group's share in the associate's results is recorded in the consolidated income statement.

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

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

3.6 REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement at the fair value of the consideration received or receivable as follows:

Sale of properties

Revenue from 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 REVENUE RECOGNITION (continued)

Income from investment properties

Rental income
The Group's policy for recognition of revenue from operating leases is described in 3.7 below.

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

Income from hotels

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

Income from leisure businesses

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

Income from schools

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

Interest income

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

3.7 LEASING

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

The Group as lessor

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

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

The Group as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.9 below).

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

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

3.8 FOREIGN CURRENCIES

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

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

3.9 BORROWING COSTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

3.11 CAPITAL WORK IN PROGRESS

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

3.12 INVESTMENT PROPERTY

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

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

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

3.13 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 DEVELOPMENT WORK IN PROGRESS

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

3.15 INVENTORIES

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

3.16 INTANGIBLE ASSETS

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

Computer software

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

Licenses

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

3.17 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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

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

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

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

3.18 PROVISIONS

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

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

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

Onerous contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 EMPLOYEE BENEFITS

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

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

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

3.20 GOVERNMENT GRANTS

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

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

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

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

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

3.21 FINANCIAL ASSETS

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets, 'loans and receivables' and 'cash and cash equivalents'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

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

AFS financial assets

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

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

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

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

Loans and receivables

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 FINANCIAL ASSETS (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

3.22 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP

Classification as debt or equity

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

Equity instruments

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

Compound instruments

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

Hedge accounting

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

Note 34.5b sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

Fair value hedges

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

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

Cash flow hedges

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

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

Interest rate caps are measured at fair value, with changes in time value recognised in the same line of the profit or loss as the recognised hedged item. Changes in intrinsic value are recognised in other comprehensive income and accumulated in hedging reserve in equity.

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Classification of leases

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

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

Classification of properties

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

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Fair value of investment properties and investment properties under development

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

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

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

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

The continuing volatility in the global financial system and in the real estate industry has contributed to the significant reduction in transaction volumes in the UAE. Therefore, in arriving at their estimates of market values as at 31 December 2011, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

	Range %
Targeted internal rate of return	13 - 17
Rental yield	8 - 11

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

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

Useful lives of property, plant and equipment and intangible assets

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

Valuation of unquoted AFS equity investments

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

Impairment of investments in/receivable from joint ventures and associates

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

Impairment of trade and other receivables

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

Derivative financial instruments

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

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2010	4,861,089	780,975	297,023	16,445	55,000	3,630	16,392	6,714,624	12,745,178
Additions	114,790	19,601	26,693	35,554	5,020	4,416	56	1,522,813	1,728,943
Finance costs capitalised during the year	12,433	2,723	-	-	-	-	-	350,092	365,248
Transfers, net	525,652	277,931	27,610	-	299	-	-	(1,602,220)	(770,728)
Reclassified as held for sale	-	-	-	-	-	-	-	(5,361,251)	(5,361,251)
Disposals	-	-	(180)	(307)	-	(805)	-	-	(1,292)
1 January 2011	5,513,964	1,081,230	351,146	51,692	60,319	7,241	16,448	1,624,058	8,706,098
Additions	16,157	-	46,867	9,957	7,544	226	164	168,039	248,954
Finance costs capitalised during the year	-	4,679	-	-	-	-	-	13,357	18,036
Transfers, net	180,348	407,235	(5,261)	(17,875)	(3,094)	(1,489)	-	(1,307,771)	(747,907)
Disposals	(36,347)	-	-	(775)	(50)	(1,243)	(5,061)	-	(43,476)
31 December 2011	**5,674,122**	**1,493,144**	**392,752**	**42,999**	**64,719**	**4,735**	**11,551**	**497,683**	**8,181,705**
Accumulated depreciation and impairment									
1 January 2010	37,600	246,520	29,473	6,030	15,014	1,864	8,561	-	345,062
Charge for the year	234,015	214,454	96,341	7,216	17,512	1,473	3,264	-	574,275
Disposals	-	-	(66)	(114)	-	(726)	-	-	(906)
Impairment loss recognised during the year	254,698	-	-	-	-	-	-	857,831	1,112,529
1 January 2011	526,313	460,974	125,748	13,132	32,526	2,611	11,825	857,831	2,030,960
Charge for the year	238,518	244,162	94,517	9,508	16,693	1,139	2,157	-	606,694
Transfers, net	-	-	(447)	(869)	(512)	(198)	-	(624,772)	(626,798)
Impairment loss recognised during the year	523,517	553,650	-	-	-	-	-	234,221	1,311,388
Disposals	-	-	-	(698)	(50)	(1,076)	(5,061)	-	(6,885)
31 December 2011	**1,288,348**	**1,258,786**	**219,818**	**21,073**	**48,657**	**2,476**	**8,921**	**467,280**	**3,315,359**
Carrying amount									
31 December 2011	**4,385,774**	**234,358**	**172,934**	**21,926**	**16,062**	**2,259**	**2,630**	**30,403**	**4,866,346**
31 December 2010	4,987,651	620,256	225,398	38,560	27,793	4,630	4,623	766,227	6,675,138

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2011	2010
	AED'000	AED'000
Projects under development	29,638	75,933
General and administrative expenses	577,056	498,342
	606,694	574,275

During the year, the Group carried out a review of recoverable amounts of its property, plant and equipment. The review led to a recognition of impairment losses of AED 1,311.4 million (2010: AED 1,112.5 million), which has been recorded in profit or loss. The recoverable amount of relevant assets has been determined on the basis of their value in use by reference to the discounted cash flow method using discount rates of 7.5% (2010: 7.5% to 10%).

6 INTANGIBLE ASSETS

	Licenses	Computer software	Total
	AED'000	AED'000	AED'000
Cost			
1 January 2010	12,471	59,590	72,061
Additions	-	8,846	8,846
Transferred to assets held for sale	(11,041)	-	(11,041)
1 January 2011	1,430	68,436	69,866
Additions	-	2,608	2,608
Transferred to a related party	-	(6,698)	(6,698)
31 December 2011	**1,430**	**64,346**	**65,776**
Accumulated amortisation			
1 January 2010	2,216	29,963	32,179
Charge for the year	552	15,231	15,783
Transferred to assets held for sale	(2,760)	-	(2,760)
1 January 2011	8	45,194	45,202
Charge for the year	2	13,205	13,207
Transferred to a related party	-	(587)	(587)
31 December 2011	**10**	**57,812**	**57,822**
Carrying amount			
31 December 2011	**1,420**	**6,534**	**7,954**
31 December 2010	1,422	23,242	24,664

7 INVESTMENT PROPERTIES

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

	2011			2010		
	Completed properties	Properties under development	Total	Completed properties	Properties under development	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at the beginning of the year	3,022,390	5,271,440	8,293,830	2,079,243	12,661,376	14,740,619
Development costs incurred during the year	-	1,950,588	1,950,588	-	2,414,141	2,414,141
Finance cost capitalised, net	-	285,199	285,199	-	399,630	399,630
Project costs written-off	-	(54,583)	(54,583)	-	(181,361)	(181,361)
Hedge capitalised	-	12,674	12,674	5,094	77,563	82,657
Decrease in fair value, net	(246,339)	(294,393)	(540,732)	(261,222)	(6,731,205)	(6,992,427)
Transfer upon completion	637,947	(637,947)	-	123,381	(123,381)	-
Asset sold during the year to the Government of Abu Dhabi	-	(2,452,213)	(2,452,213)	-	-	-
Transfers from/(to):						
Property, plant and equipment	-	95,414	95,414	1,018,579	(572,832)	445,747
Development work in progress	-	(1,426,393)	(1,426,393)	57,315	(1,740,517)	(1,683,202)
Asset held for sale	-	(116,962)	(116,962)	-	(562,314)	(562,314)
Trade and other receivables	-	(46,147)	(46,147)	-	(369,660)	(369,660)
Balance at the end of the year	3,413,998	2,586,677	6,000,675	3,022,390	5,271,440	8,293,830

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

The fair values of the remaining investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation was determined by using the Residual Value Method and Income Capitalisation Method. The effective date of the valuation is 31 December 2011. Refer to Note 4 for the key assumptions used.

All investment properties are located in the United Arab Emirates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

8 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investee	Ownership interest	Voting power	Place of registration	Share in underlying net assets at 1 January 2011	Shar in current year's profit / (loss)	Provision for impairment	Share in hedging reserve	Unrealised profits	Dividends received	Allocated to current account of the associates/ joint ventures	Share in underlying net assets at 31 December 2011
				AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Associates											
Green Emirates Properties PJSC	20%	20%	Abu Dhabi	71,650	(13,670)	(18,755)	-	-	-	-	**39,225**
Aseel Finance PJSC	20%	20%	Abu Dhabi	103,562	7,783	-	-	-	-	-	**111,345**
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	2,672	1,459	-	-	-	-	-	**4,131**
Al Maabar International Investments LLC	20%	20%	Abu Dhabi	59,111	71,995	-	-	-	-	-	**131,106**
Abu Dhabi Finance Company LLC	16%	16%	Abu Dhabi	-	-	-	-	-	-	-	**-**
Iskandar Holdings Ltd	19%	19%	Cayman Islands	35,503	-	-	-	-	-	-	**35,503**
				272,498	67,567	(18,755)	-	-	-	-	**321,310**
Joint ventures											
Aldar Laing O'Rourke Construction LLC	51%	50%	Abu Dhabi	133,181	(1,307)	-	-	15,685	-	-	**147,559**
Aldar Readymix LLC	50%	50%	Abu Dhabi	17,191	(18,578)	-	-	(265)	-	1,652	**-**
Aldar Besix LLC	51%	50%	Abu Dhabi	31,215	-	-	-	(3,831)	-	-	**27,384**
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	65,011	78,458	-	(11,371)	-	-	-	**132,098**
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	23,551	2,474	-	-	992	(8,250)	-	**18,767**
Royal House LLC	50%	50%	Abu Dhabi	-	(18,598)	-	-	-	-	18,598	**-**
Nareel Island Development Company LLC	50%	50%	Abu Dhabi	-	-	-	-	-	-	-	**-**
Fadar Retail LLC	50%	50%	Abu Dhabi	-	(7,629)	-	-	-	-	7,629	**-**
Abu Dhabi Motor Sports Management LLC	-	-	Abu Dhabi	-	-	-	-	-	-	-	**-**
Textura Middle East LLC	50%	50%	Abu Dhabi	-	-	-	-	-	-	-	**-**
				270,149	34,820	-	(11,371)	12,581	(8,250)	27,879	**325,808**
				542,647	102,387	(18,755)	(11,371)	12,581	(8,250)	27,879	**647,118**

8 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

Unrealised profits which comprise share of profits on various projects of the joint ventures within the Group amounted to AED 12.6 million (2010: AED 30.0 million).

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

	2011 AED'000	2010 AED'000
Total assets	**5,513,918**	4,993,012
Total liabilities	**(4,002,695)**	(3,816,634)
Net assets	**1,511,223**	1,176,378
Group's share of net assets of associates	**340,065**	272,498
Total revenue	**159,384**	176,231
Total loss for the year	**(28,163)**	(142,756)

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

	2011 AED'000	2010 AED'000
Total assets	**2,651,955**	3,441,361
Total liabilities	**(2,056,426)**	(2,901,594)
Net assets	**595,529**	539,767
Group's share of net assets of joint ventures	**325,808**	270,149
Total revenue	**320,615**	2,079,935
Total profit for the year	**116,295**	75,976

9 AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

	2011 AED'000	2010 AED'000
Investment in UAE unquoted securities	**114,074**	132,702
Investment in international unquoted securities	**56,584**	11,888
	170,658	144,590

Movement during the year is as follows:

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	**144,590**	163,090
Additions	**21,438**	-
Disposals	**(10,000)**	-
Fair value gain/(loss) during the year, net	**14,630**	(18,500)
Balance at the end of the year	**170,658**	144,590

Subject to the Group's overall operating strategy, the Group intends to dispose of these investments in the normal course of business if a favourable price is offered. The consideration for the disposals during the year amounted to AED 10 million, of which cash received is AED 5 million with the balance included in other receivables.

During the year, dividend income received from AFS financial assets amounted to AED 5.7 million (31 December 2010: AED 3.4 million).

The total impairment loss on an AFS investment as at 31 December 2011 amounted to AED 38.5 million (31 December 2010: nil). This comprised of AED 20 million charged directly to profit or loss and AED 18.5 million which was transferred from the fair value reserve in equity to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

10 TRADE AND OTHER RECEIVABLES

	2011 AED'000	2010 AED'000
Non-current portion		
Trade receivables (Note 10.1)	-	304,892
Less: Provision for impairment and cancellations	-	(124,446)
	-	180,446
Refundable costs (Note 10.2)	-	87,659
Receivable from project finance (Note 10.3)	389,998	408,220
Due from a related party (Note 10.6)	201,025	402,050
Receivable from the Government of Abu Dhabi (Note 10.4)	6,133,739	1,946,661
Due from joint ventures (Notes 10.5 & 32)	447,769	521,058
	7,172,531	3,546,094
Current portion		
Trade receivables (Note 10.1)	720,688	1,212,039
Less: Provision for impairment and cancellations	(195,202)	(558,955)
	525,486	653,084
Refundable costs (Note 10.2)	2,694,116	2,250,718
Receivable from project finance (Note 10.3)	87,883	68,368
Receivable from the Government of Abu Dhabi (Note 10.4)	340,095	342,863
Due from joint ventures (Notes 10.5 & 32)	12,950	37,452
Advances and prepayments	1,278,374	1,989,895
Accrued interest	3,675	21,624
Others	298,740	88,537
	5,241,319	5,452,541

10.1 TRADE RECEIVABLES

The Group's trade receivables consist of customers with a good credit standing. At the end of the year, 69% of the trade receivables (31 December 2010: 76% of the trade receivables) is due from its top five customers. The Group considers these customers to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Group.

Considering prevailing market conditions, the Group has mutually agreed with some of its customers to revise the terms of its receivables. Included in the Group's trade receivables are customer balances with a carrying amount of AED 227.5 million (31 December 2010: AED 196.6 million) which are past due at the end of the reporting date for which no allowance has been provided for as there was no significant change in the credit quality of the customers and the amounts are still considered recoverable.

No interest is charged and no collateral is taken on trade receivables.

10 TRADE AND OTHER RECEIVABLES (continued)

10.1 TRADE RECEIVABLES (continued)

Ageing of trade receivables

	2011 AED'000	2010 AED'000
Not past due	297,937	636,956
Past due but not impaired:		
Up to 120 days	-	83,911
121 to 180 days	-	112,663
More than 180 days	227,549	-
	227,549	196,574
Past due and impaired:		
Up to 120 days	-	21,940
121 to 180 days	195,202	661,461
	195,202	683,401
Total trade receivables	720,688	1,516,931

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

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	683,401	78,295
Loss on cancellations during the year	40,047	804,750
Impairment recognised during the year	-	605,106
Released upon cancellation of sales	(528,246)	(804,750)
Balance at the end of the year	195,202	683,401

10.2 REFUNDABLE COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

10 TRADE AND OTHER RECEIVABLES (continued)

10.3 RECEIVABLE FROM PROJECT FINANCE

	Minimum payments		Present value of minimum payments	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Amounts receivable from project finance:				
Within one year	91,303	71,654	87,883	68,368
In the second to fifth year	298,259	298,259	211,432	211,428
After five years	487,099	561,663	178,566	196,792
	876,661	931,576	477,881	476,588
Less: unearned finance income	(398,780)	(454,988)	-	-
Present value of minimum payments receivable	477,881	476,588	477,881	476,588
Non-current receivables			389,998	408,220
Current receivables			87,883	68,368
			477,881	476,588

10.4 RECEIVABLE FROM THE GOVERNMENT OF ABU DHABI

Receivable from the Government of Abu Dhabi represents the amount receivable against certain assets sold during the year (Note 30).

10.5 DUE FROM JOINT VENTURES

	Non-current		Current	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Gross receivables	537,009	521,058	29,081	37,452
Less: Provision for impairment	(89,240)	-	(16,131)	-
	447,769	521,058	12,950	37,452

In addition to above provisions, the Group provided for AED 18.8 million impairment of investment in an associate (Note 8) and AED 50 million restructuring costs on a joint venture.

10.6 DUE FROM A RELATED PARTY

Due from related party is net of provision for impairment AED 201 million (2010: AED Nil).

11 DEVELOPMENT WORK IN PROGRESS

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

	2011 AED'000	2010 AED'000
Balance at beginning of the year	13,877,865	10,909,119
Developments during the year	3,234,131	3,291,770
Finance costs capitalised during the year, net	179,796	291,391
Hedging losses capitalised	35,307	182,381
Reimbursement received	(2,279,988)	-
Transfers from /(to):		
Investment properties	1,426,393	1,683,202
Refundable costs	(26,463)	(150,061)
Property, plant and equipment	-	(24,439)
Projects completed during the year:		
Transfers to inventory	(4,857,034)	-
Disposals (recognised in direct costs)	(4,058,943)	(734,045)
Project costs impairments/write-offs	(397,153)	(1,571,453)
Balance at the end of the year	7,133,911	13,877,865

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

12 INVENTORIES

	2011 AED'000	2010 AED'000
Completed properties	4,707,918	385,654
Other operating inventories	11,804	36,400
	4,719,722	422,054

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

13 CASH AND CASH EQUIVALENTS

	2011 AED'000	2010 AED'000
Cash and bank balances	3,393,008	921,060
Short term deposits held with banks	764,672	1,510,473
	4,157,680	2,431,533
Short term deposits with original maturities greater than three months	(12,911)	(1,134,650)
Restricted bank balances	(773,593)	(648,647)
	3,371,176	648,236

The interest rate on term deposits ranges between 2.25% and 3.55% (2010: 2.2% and 4.3%) per annum.
All bank deposits are placed with local banks in the United Arab Emirates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

14 SHARE CAPITAL

Share capital comprises 4,085,129,096 (2010: 2,577,894,735) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each. Share issuance costs of AED 94.9 million (31 December 2010: AED 94.9 million) have been presented net of share issuance fees of AED 15.0 million, within equity.

During the year, the following transactions occurred:

(a) The Group converted the non-interest bearing convertible bonds issued to Mubadala Development Company into 303,734,868 shares of the Company (Note 17).

(b) A portion of the mandatorily convertible bonds issued to Mubadala Development Company was converted into 1,203,499,493 shares of the Company (Note 18a). The new shares were listed on the Abu Dhabi Exchange subsequent to the reporting date.

15 SHARE PREMIUM

Share premium amounting to AED 7,984.9 million (2010: AED 3,823.2 million) represents the difference between the carrying amount of convertible bonds and the par value shares issued upon conversion of convertible bonds into shares of the Company.

16 STATUTORY RESERVE

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

17 NON-INTEREST BEARING CONVERTIBLE BONDS

During 2008, the Group issued non-interest bearing convertible bonds (the "Bonds") to a related party (the "Bond holder"). The Bonds had a face value of AED 3,562.8 million and an original maturity date in November 2011. Under the scheme, there was no early conversion option available to the Bond holder. However, the Bonds may be converted to ordinary shares at any date before the maturity date at the option of the Group.

During the year, the Group opted for early conversion and converted these Bonds into 303,734,868 shares in the Company.

18 CONVERTIBLE BONDS (continued)

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

	Outstanding at 31 December 2011			Outstanding at 31 December 2010		
	Corporate bonds (a) AED'000	Sukuk Al-Mudaraba (b) AED'000	Total AED'000	Corporate bonds (a) AED'000	Sukuk Al-Mudaraba (b) AED'000	Total AED'000
Proceeds from the issue of convertible bonds	2,800,000	9,291,124	12,091,124	-	9,291,124	9,291,124
Less: Issuance costs	-	(210,824)	(210,824)	-	(210,824)	(210,824)
Net proceeds from the issue of convertible bonds	2,800,000	9,080,300	11,880,300	-	9,080,300	9,080,300
Equity component on initial recognition	-	(232,032)	(232,032)	-	(232,032)	(232,032)
Liability component on initial recognition	2,800,000	8,848,268	11,648,268	-	8,848,268	8,848,268
Redemption of convertible bonds by cash	-	(4,154,181)	(4,154,181)	-	(84,158)	(84,158)
Redemption of convertible bonds by share issue	(2,106,124)	(4,694,087)	(6,800,211)	-	(4,694,087)	(4,694,087)
Carrying amount of liability component after redemption	693,876	-	693,876	-	4,070,023	4,070,023
Profit distribution accrued up to year end	31,177	-	31,177	-	268,297	268,297
Carrying amount of liability component at 31 December	725,053	-	725,053	-	4,338,320	4,338,320
Less: Current portion	(31,177)	-	(31,177)	-	(4,338,320)	(4,338,320)
Non-current portion	693,876	-	693,876	-	-	-
Total profit capitalised to projects during the year	24,293	76,679	100,972	-	215,398	215,398

(a) In March 2011, the Group issued mandatorily convertible bonds (the "convertible bonds") for a total value of AED 2.8 billion to a related party (the "bond holder") carrying a profit rate of 4% per annum payable semi-annually. A significant portion of these bonds has been converted into ordinary shares of the Company on 15 December 2011. Any outstanding bonds shall be converted on 15 December 2013 or earlier as may be agreed between the Group and the bond holder at a variable rate stipulated in the agreement. Considering the nature of the transaction, the remaining portion of these bonds has been presented as a financial liability in accordance with the relevant Accounting Standards.

(b) In March 2007, the Group issued convertible bonds in the form of Trust Certificates/Sukuk al-Mudaraba (the "convertible Sukuk") for a total value of AED 9.29 billion (USD 2.53 billion). The convertible Sukuk has a profit rate of 5.767% per annum paid quarterly and are due for repayment on 10 November 2011. During the period, the Sukuk was redeemed by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

19 NON-CONVERTIBLE BONDS

	Outstanding at 31 December 2011			Outstanding at 31 December 2010		
	Sukuk- Al- Ijarah (a)	Corporate Bonds (b)	Total	Sukuk - Al -Ijarah (a)	Corporate Bonds(b)	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Proceeds from issue	3,750,000	4,590,000	8,340,000	3,750,000	4,590,000	8,340,000
Gross issue costs	(16,303)	(30,366)	(46,669)	(16,303)	(30,366)	(46,669)
Less: Amortisation of issue costs up to year end	11,424	15,689	27,113	8,160	9,616	17,776
Unamortised issue costs	(4,879)	(14,677)	(19,556)	(8,143)	(20,750)	(28,893)
Add: Profit distribution up to year end	4,416	47,972	52,388	4,867	47,972	52,839
Carrying amount	3,749,537	4,623,295	8,372,832	3,746,724	4,617,222	8,363,946
Less: Current portion (included in accruals)	(1,152)	(41,899)	(43,051)	(1,603)	(41,899)	(43,502)
	3,748,385	4,581,396	8,329,781	3,745,121	4,575,323	8,320,444
Total finance costs capitalised during the year	44,729	95,468	140,197	109,563	315,964	425,527

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

(b) In May 2009, the Group issued non-convertible Corporate Bonds for a total value of AED 4.59 billion (USD 1.25 billion). The Bonds have an interest rate of 10.75% (2010: 10.75%) per annum payable semi-annually and are due for repayment on 27 May 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

20 BORROWINGS

	Outstanding amount			Unused					Capitalised
	Current AED'000	Non-current AED'000	Total AED'000	facility AED'000	Security	Interest rate	Maturity	Purpose	interest AED'000
31 December 2011:									
Government loan	-	250,314	250,314	-	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	9,907
Syndicated infrastructure loan	-	-	-	-	Secured	3 months USD LIBOR + 0.90%	July 2011	Al Raha Beach infrastructure	37,312
Term loan	-	-	-	-	Secured	0.75% compounded quarterly	October 2011	Al Raha Beach infrastructure	6,811
Term loan	28,550	153,929	182,479	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Term loan	348,928	-	348,928	-	Secured	1 year EBOR + 3.15%	December 2012	General corporate purpose	4,723
Term loan	-	-	-	-	Secured	3 months EBOR + 3.00%	August 2011	General corporate purpose	4,926
Murabaha financing	6,964	40,179	47,143	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	583
Murabaha financing	3,000	21,000	24,000	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	296
Ijarah facility	2,203,800	-	2,203,800	-	Unsecured	3 months EBOR + 0.90%	April 2012	General corporate purpose	24,194
Term loan	-	-	-	-	Unsecured	3 months EBOR + 1.75%	December 2011	Working capital requirements	4,693
Term loan	-	367,200	367,200	-	Secured	3 months USD LIBOR + 1.40%	October 2013	General corporate purpose	3,449
Murabaha financing	120,301	240,601	360,902	-	Secured	3 months EBOR + 2.50%	May 2014	Al Bateen Park	17,199
Ijarah facility	-	600,000	600,000	-	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	12,422
Term loan	275,108	-	275,108	-	Secured	3 months LIBOR + 3.65%	January 2012	General corporate purpose	3,342
Term loan	1,100,000	-	1,100,000	-	Secured	3 months EBOR + 2.55%	August 2012	Development of Central Market	45,058
Term loan	108,000	292,000	400,000	-	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	4,764
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	7,138
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	7,138
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	7,138
Murabaha facility	33,334	308,333	341,667	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	5,266
Term loan	800,000	-	800,000	-	Secured	3 months EBOR + 3.00%	August 2012	Development of Central Market	41,461
Wakala agency loan	9,375	290,625	300,000	-	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	-
Unamortised borrowing cost	(11,861)	(7,828)	(19,689)	-					
Accrual for interests and profits	54,634	61,149	115,783	-					
	5,080,133	4,117,502	9,197,635	-					247,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

20 BORROWINGS (continued)

	Outstanding amount Current AED'000	Non-current AED'000	Total AED'000	Unused facility AED'000	Security	Interest rate	Maturity	Purpose	Capitalised interest AED'000
31 December 2010:									
Government loan	-	5,125,150	5,125,150	123,740	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	33,796
Syndicated infrastructure loan	5,103,559	-	5,103,559	-	Secured	3 months USD LIBOR + 0.90%	July 2011	Al Raha Beach infrastructure	99,664
Revolving credit facility	-	-	-	-	Secured	3 months EBOR + 3.50%	August 2010	Al Raha Gardens Phase II and III	21,002
Term loan	301,633	-	301,633	-	Secured	0.75% compounded quarterly	October 2011	Al Raha Beach infrastructure	9,049
Term loan	28,550	174,535	203,085	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Term loan	367,293	-	367,293	-	Secured	1 year EBOR + 2.85%	April 2011	General corporate purpose	14,587
Term loan	300,000	-	300,000	-	Secured	3 months EBOR + 3.00%	August 2011	General corporate purpose	13,358
Murabaha financing	6,964	47,143	54,107	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	1,450
Murabaha financing	3,000	24,000	27,000	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	720
Ijarah facility	-	2,203,800	2,203,800	-	Unsecured	3 months EBOR + 0.90%	April 2012	General corporate purpose	51,712
Term loan	367,300	-	367,300	-	Unsecured	1 year EBOR + 1.75%	September 2011	Working capital requirements	11,733
Term loan	367,200	-	367,200	-	Secured	3 months USD LIBOR + 1.40%	October 2013	General corporate purpose	4,601
Murabaha financing	360,902	-	360,902	-	Secured	3 months EBOR + 2.50%	January 2011	Al Bateen Park	16,025
Ijarah facility	600,000	-	600,000	-	Secured	3 months EBOR + 2.50%	February 2011	Al Raha Beach infrastructure	28,671
Term loan	275,108	-	275,108	-	Secured	3 months LIBOR + 3.65%	June 2011	General corporate purpose	10,769
Term loan	1,100,000	-	1,100,000	-	Secured	3 months EBOR + 2.55%	August 2011	Development of Central Market	53,138
Term loan	400,000	-	400,000	-	Secured	3 months EBOR + 3.25%	May 2011	Working capital requirements	11,269
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	18,944
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	18,944
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	18,944
Murabaha facility	33,333	341,667	375,000	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	16,902
Term loan	800,000	-	800,000	-	Secured	3 months EBOR + 3.00%	August 2011	Development of Central Market	14,553
Unamortised borrowing cost	(21,202)	(12,596)	(33,798)						
Accrual for interests and profits	78,892	36,920	115,812						
	10,472,532	9,440,619	19,913,151	123,740					469,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

20 BORROWINGS (continued)

The borrowings are repayable as follows:

	2011 AED'000	2010 AED'000
Current		
Within one year	5,080,133	10,472,532
Non-current		
In the second to fifth year	4,077,313	8,568,213
After fifth year	40,189	872,406
	4,117,502	9,440,619
	9,197,635	19,913,151

Loan securities are in the form of mortgage over plots of land, assignment of project receivables and lien on bank deposits.

Some of the Group's borrowings carry covenants relating to financial measures such as total assets value, net worth and gearing level.

As per the requirements of the covenants specified in two borrowing arrangements, the Group is required to maintain net assets (total equity) at AED 6.0 billion. During the year, the Group's net assets fell below AED 6.0 billion, however due to the partial conversion of the mandatory convertible bonds, the Group's net assets are AED 7.1 billion at the end of the reporting period. Due to a waiver received from the bank, the loans have been correctly disclosed as non-current as per the terms of the loan agreement.

21 PROVISION FOR END OF SERVICE BENEFIT

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

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	48,744	33,923
Charge for the year (Note 27)	20,286	19,784
Paid during the year	(19,855)	(4,963)
Transferred to a related party	(2,194)	-
Balance at the end of the year	46,981	48,744

22 ADVANCES FROM CUSTOMERS

Advances from customers represent installments collected from customers for the sale of the Group's property developments.

23 TRADE AND OTHER PAYABLES

	2011 AED'000	2010 AED'000 (restated)
Trade payables	1,049,891	1,516,913
Accrual for contractors' costs	3,516,092	3,168,279
Accrual for infrastructure costs	344,825	684,056
Advances from the Government (23a)	3,089,995	576,055
Deferred income	53,896	84,110
Dividends payable	17,754	18,578
Provision for onerous contracts	252,005	-
Other liabilities	135,733	123,098
	8,460,191	6,171,089

23a Advances from the Government comprise advances amounting to AED 2,755.0 million received for the development of infrastructure at Al Raha Beach.

23b The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24 REVENUE

	2011 AED'000	2010 AED'000
Property development and sales	5,435,152	905,431
Income from operating businesses	1,307,438	885,676
	6,742,590	1,791,107

25 DIRECT COSTS

	2011 AED'000	2010 AED'000
Cost of properties sold	4,097,273	768,730
Direct costs for operating businesses	999,792	734,280
	5,097,065	1,503,010

26 SELLING AND MARKETING EXPENSES

	2011 AED'000	2010 AED'000
Exhibitions and sponsorships	3,708	60,006
Project marketing	2,784	6,665
Corporate advertising	28,906	16,415
Others	88	354
	35,486	83,440

27 STAFF COSTS

	2010 AED'000	2009 AED'000
Salaries, bonuses and other benefits	651,749	657,301
Staff training and development	1,900	32,924
Post-employment benefit (Note 21)	20,286	19,784
	673,935	710,009
Staff costs allocated to:		
Projects under development	80,185	111,299
Direct operating costs of operational businesses	348,164	237,410
Pre-opening expenses of operational businesses	1,774	47,803
General and administrative expenses	243,812	313,497
	673,935	710,009

28 FINANCE INCOME

	2011 AED'000	2010 AED'000
Interest and profit income:		
Islamic deposits	26,471	92,393
Bank fixed deposits	24,058	135,148
Call and current accounts	4,694	2,175
Gross income	55,223	229,716
Less: Amounts offset against the finance costs capitalised	(5,958)	(54,487)
	49,265	175,229
Financing element earned on receivables, net	-	20,393
Interest income earned on receivables from project finance	56,206	57,904
Other finance income	16,876	9,278
	122,347	262,804

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

	2011 AED'000	2010 AED'000
Loans and receivables	55,223	87,575
Cash and bank balances	67,124	175,229
	122,347	262,804

29 FINANCE COSTS

	2011 AED'000	2010 AED'000
Gross costs	1,576,188	1,724,602
Less: Amounts included in the cost of qualifying assets	(488,989)	(1,110,756)
	1,087,199	613,846
Recycling of hedging reserve loss	35,327	75,130
(Gain)/loss on hedging	(18,053)	28,816
	17,274	103,946
	1,104,473	717,792

The weighted average capitalisation rate of funds borrowed is 1.88% per annum (2010: 3.66% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

30 OTHER INCOME

	2011 AED'000	2010 AED'000
Government grant income (a)	3,100,398	-
Gain on sale of assets held for sale (b)	841,934	-
Others	8,179	15,796
	3,950,511	15,796

(a) During the year the Group sold the Central Market development to the Government of Abu Dhabi against a total consideration of AED 5.7 billion. The difference between the fair value of the asset and consideration receivable has been received as compensation for previous costs incurred and has been recognised in profit or loss as a Government grant in accordance with IAS 20 "Accounting for Government grants and disclosure of Government assistance".

(b) In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group disposed of the Ferrari World Abu Dhabi theme park and related assets to the Government of Abu Dhabi. Accordingly, a net gain of AED 841.9 million was recognised in the profit or loss for the year.

31 EARNINGS/(LOSS) PER SHARE

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

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

Earnings/(loss)

	2011 AED'000	2010 AED'000
Earnings/(loss) for the purpose of basic earnings and diluted earnings per share (profit/(loss) for the year attributable to owners of the Company)	(642,491)	12,658,414

Weighted average number of shares

	2011	2010
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	4,209,848,781	2,881,629,603

The weighted average number of shares for the year for the purpose of basic and diluted earnings per share includes ordinary shares that are to be issued upon the conversion of the mandatorily convertible bonds (Note18a).

As of 31 December 2011, the Sukuk-al-Mudaraba (Note 18b) was not included in the calculation of diluted earnings per share, as the Sukuk were redeemed in cash on 10 November 2011.

32 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Related party balances:

	2011 AED'000	2010 AED'000
Due from Government (net):		
Refundable costs (Note 10)	2,694,116	2,338,377
Receivable from assets sold (Note 10)	6,473,834	2,289,524
Other receivables	54,313	
Advances received (Note 22 and 23)	5,517,017	(576,055)
	3,705,246	4,051,846
Due from joint ventures (Note 10):		
Current	12,950	32,938
Non-current	447,769	521,058
	460,719	553,996
Due to joint ventures for project-related work:		
Contact payables	(68,923)	(675,631)
Retention payables	(37,373)	(132,121)
Advances paid	6,458	54,070
	(99,838)	(753,682)
Deposits held with an associate	70,875	164,860

Certain receivables from joint ventures carry interest of 6% to 9% and are repayable within 2 to 5 years from the end of the year.

	2011 AED'000	2010 AED'000
Due from/(to) major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 10)	477,881	476,588
Due from a related party	201,025	402,050
Accrued expenses	(236,872)	-
Due to a major shareholder, net	(46,649)	(24,497)
Interest bearing loan	-	(301,633)
Interest bearing convertible bonds (Note 18)	(725,053)	-
Non-interest bearing convertible bonds	-	(3,562,810)
	(329,668)	(3,010,302)

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

	2011 AED'000	2010 AED'000
Key management compensation		
Salaries, bonuses and other benefits	11,677	42,582
Post-employment benefits	720	1,430
	12,397	44,012
Income from Government and major shareholder owned by Government:		
Gain on disposal of assets held for sale (Note 30)	841,934	-
Revenue from sale of land	3,589,235	-
Project management income	229,887	78,935
Rental income (gross inflows)	36,946	47,818
Government grant income (Note 30)	3,100,398	-
	7,798,400	126,753
Work provided by joint ventures	123,078	2,011,403
Finance income from project finance and joint ventures	73,083	67,183
Provision for cancellation of sales to a related party	-	124,446

In addition, these significant transactions were entered into with related parties during the year as follows:

a) On 16 January 2011, the Group converted AED 3,562.8 million worth of convertible bonds issued to Mubadala Development Company into 303,734,868 shares in the Company at an agreed conversion rate of AED 11.73. Consequently, the share capital and share premium of the Group have been increased by AED 303.7 million and AED 3,259.1 million, respectively.

b) On 3 March 2011, the Group issued mandatory convertible bonds of AED 2,800.0 million to Mubadala Development Company. On 15 December 2011, the Group partially converted AED 2,106.1 million worth of these bonds into 1,203,499,493 shares in the Company at an agreed conversion rate of AED 1.75. Consequently the share capital and share premium of the Group have been increased by AED 1,203.5 million and AED 902.6 million, respectively.

c) Outstanding borrowings of AED 8,560.4 million (31 December 2010: AED 14,261.0 million) are due to the Government and banks controlled by the Government. Further details have been disclosed in Note 20.

d) In accordance with the terms of the asset transfer agreement dated 16 January 2011, the Group sold the Ferrari World theme park and related assets and land plots on Yas Island for AED 10,900.0 million to the Government.

e) On 23 March 2011, the Group entered into a sale and purchase agreement to sell residential units and land plots for AED 1,255.8 million to the Government.

f) During the year, two land plots previously sold to a related party were cancelled. The total revenue value of these plots was AED 188.9 million and the amount collected and fully refunded was AED 37.8 million.

g) On 27 December 2011, the Group entered into the following transactions with the Government of Abu Dhabi:

- Sold Central Market Project development for a consideration of AED 5,697.6 million and entered into a construction management agreement for AED 2,619.3 million;
- Received a reimbursement of AED 5,035.0 million towards the transfer of infra-structure assets, which was settled by the waiver of borrowings due to the Government;
- Sold residential units for AED 3,501.1 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

33 COMMITMENTS AND CONTINGENCIES

33.1 CAPITAL COMMITMENTS

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

	2011 AED'000	2010 AED'000
Projects under development	2,974,452	7,698,121
Reimbursable project works in progress	9,631,585	13,114,409
Investments	68,590	119,912
Others	44,513	14,376
	12,719,140	20,946,818

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

The Group has paid an amount of AED 1,091.5 million (2010: AED 1,756.1 million) as advances to the suppliers and contractors against the above commitments.

33.2 OPERATING LEASE COMMITMENTS

The Group as lessor

	2011 AED'000	2010 AED'000
Buildings (over a period of 12 years):		
Within one year	263,756	223,989
In the second to fifth year	920,692	901,640
After five years	846,793	1,161,529
	2,031,241	2,287,158

The Group as lessee

The Group has annual operating lease commitments with respect to rental of land for one of its investment properties and buildings for staff accommodation. The minimum lease payments are as follows:

	2011 AED'000	2010 AED'000
Land (over a period of 70 years):		
Within one year	11,768	11,455
In the second to fifth year	50,401	49,050
After five years	76,066	89,185
	138,235	149,690
Buildings (over a period of 5 years) :		
Within one year	96,960	109,691
In the second to fifth year	31,713	139,507
	128,673	249,198
	266,908	398,888

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

33.3 CONTINGENCIES

Letters of credit and bank guarantees

	2011 AED'000	2010 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	22,796	24,507
Issued on behalf of a joint venture	13,413	35,915
	36,209	60,422
Group's share in contingencies of joint ventures	7,267	20,803

34 FINANCIAL INSTRUMENTS

34.1 SIGNIFICANT ACCOUNTING POLICIES

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

34.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2011 AED'000	2010 AED'000
Financial assets		
Available-for-sale financial assets	170,658	144,590
Loans and receivables (including cash and bank balances)	15,314,751	9,411,456
Derivative instruments in designated hedge accounting relationship	-	1,379
Total	15,485,409	9,557,425
Financial liabilities		
Financial liabilities measured at cost	24,787,946	39,403,461
Derivative instruments in designated hedge accounting relationship	36,408	153,911
Total	24,824,354	39,557,372

34.3 FINANCIAL RISK MANAGEMENT

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

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

The Group analyses financial risks under the following captions:

34.4 CAPITAL RISK MANAGEMENT

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

The Group's capital structure comprises borrowings disclosed in Notes 18, 19 and 20, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and accumulated losses/retained earnings as disclosed in the statement of changes in equity.

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

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

The Group monitors its cost of debt on a regular basis. At 31 December 2011, the weighted average cost of debt was 4.93% (2010: 4.3%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of two borrowing arrangements require the Group maintaining a minimum equity of AED 6.0 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

34 FINANCIAL INSTRUMENTS (continued)

34.5 MARKET RISK MANAGEMENT

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

a) Foreign currency risk management

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

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	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
US Dollar	**5,237,730**	14,987,681	**39,246**	38,487
Pound Sterling (a)	**130**	-	**-**	150
Euro (b)	**22,598**	24,193	**-**	-
	5,260,458	15,011,874	**39,246**	38,637

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

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

(a) there is AED 26 thousand (2010: AED 30 thousand) net revaluation gain/(loss) on the Pound Sterling outstanding balances.

(b) there is AED 4.5 million (2010: AED 4.8 million) net revaluation gain/(loss) on the Euro outstanding balances.

b) Interest rate risk management

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

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in Notes 13, 18, 19 and 20.

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by AED 120.2 million (2010: loss increase/decrease by AED 198.8 million). The resulting loss is due to significant loan draw-downs and fresh borrowings during the year, in addition to reduced capitalisation of borrowing costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable interest bearing deposits and borrowings.

Interest rate swap contracts

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

Cash flow hedges

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

34.5 MARKET RISK MANAGEMENT (continued)

b) Interest rate risk management (continued)

Cash flow hedges (continued)

	Average contracted fixed interest rate		Notional principal amount		Fair value		Cash flows	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	%	%	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Less than 1 year	**5.92%**	5.852% & 5.4035%	**285,882**	4,715,628	**1,943**	112,375	**1,943**	168,785
1 to 2 years	**5.93%**	5.917%	**258,405**	283,928	**10,030**	9,613	**10,030**	9,613
2 to 5 years	**5.92%**	5.906%	**220,449**	248,940	**17,482**	15,937	**17,482**	15,937
More than 5 years	**6.065%**	6.065%	**89,532**	119,534	**6,955**	(1,036)	**6,955**	-
			854,268	5,368,030	**36,410**	136,889	**36,410**	194,335

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

The carrying amount of the Group's interest rate caps were adjusted to fair value at 31 December 2011 amounting to AED Nil (2010: AED 797.0 thousand). The net loss related to the time value of money amounting to AED 797.0 thousand (2010: net loss of AED 28.6 million) was included in profit or loss for the year.

The fair value of the interest rate swaps and caps designated as cash flow hedges have been arrived at on the basis of a valuation carried out by Messrs JC Rathbone Associates Ltd., independent valuers not connected with the Group. Messrs JC Rathbone Associates Ltd. have appropriate qualifications and experience in the valuation of derivative financial instruments.

Fair value hedges

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. The carrying amount of the derivative was adjusted to fair value at 31 December 2011 amounting to AED Nil (2010: AED 581.0 thousand). The net gain on fair value hedges amounting to AED 238 thousand (2010: net gain of AED 1.4 million) was included in profit or loss for the year.

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

34.6 CREDIT RISK MANAGEMENT

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

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

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

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its trade customers.

At 31 December 2011, 100% (2010: 86%) of the deposits were placed with 4 banks. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

34 FINANCIAL INSTRUMENTS(continued)

34.7 LIQUIDITY RISK MANAGEMENT

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

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

	Effective interest rate	← 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	→ 5 years AED'000	**Total AED'000**
31 December 2011:							
Financial assets							
Non-interest bearing instruments	-	209,121	114,462	3,850,230	6,780,810	347,889	11,302,512
Receivables from project finance	12.43%	34,204	-	57,099	298,259	487,099	876,661
Fixed interest rate instruments	-	-	-	-	-	-	-
Variable interest rate instruments	Note 13	3,045,436	331,455	780,789	-	-	4,157,680
Total		3,288,761	445,917	4,688,118	7,079,069	834,988	16,336,853
Financial liabilities							
Non-interest bearing instruments	-	256,935	514,016	4,305,262	1,488,288	-	6,564,501
Non-convertible bonds	Note 19	-	-	-	8,340,000	-	8,340,000
Fixed interest rate instruments	4%	-	-	31,177	693,876	-	725,053
Variable interest rate instruments	Note 20	331,039	86,393	4,662,701	4,077,313	40,189	9,197,635
Total		587,974	600,409	8,999,140	14,599,477	40,189	24,827,189
31 December 2010:							
Financial assets							
Non-interest bearing instruments	-	10,106	96,750	4,105,466	3,220,618	347,889	7,780,829
Receivables from project finance	12.41%	16,738	-	54,916	298,259	561,663	931,576
Fixed interest rate instruments	9.00%	-	-	-	8,600	-	8,600
Variable interest rate instruments	Note 13	1,160,178	275,939	995,416	-	-	2,431,533
Total		1,187,022	372,689	5,155,798	3,527,477	909,552	11,152,538
Financial liabilities							
Non-interest bearing instruments	-	256,457	529,412	4,617,136	1,437,878	-	6,840,883
Non-convertible bonds	Note 19	-	-	-	8,340,000	-	8,340,000
Fixed interest rate instruments	6.66%	-	62,730	4,842,274	-	-	4,905,004
Variable interest rate instruments	Note 20	417,975	1,264,753	8,507,839	8,580,809	872,406	19,643,782
Total		674,432	1,856,895	17,967,249	18,358,687	872,406	39,729,669

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	As at 31 December 2011	
Financial liabilities at amortised cost	Carrying amount AED'000	Fair value AED'000
Sukuk-al- Ijarah (Note 19)	3,748,385	3,638,475
Corporate bonds (Note 19)	4,581,396	5,106,100

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

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

As at 31 December 2011, the Group's financial assets that are stated at fair value are grouped as follows:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Available-for-sale investments				
Equities	6,572	12,500	151,586	**170,658**

The fair values of derivative instruments are determined by independent valuers (see Note 34.5) and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

There were no transfers between Levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

36 SEGMENT INFORMATION

36.1 BUSINESS SEGMENTS

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

Year ended 31 December 2011

	Property development and sales AED'000	Investment properties portfolio AED'000	Hotels AED'000	Schools AED'000	Operative village AED'000	Leisure AED'000	Elimination AED'000	**Group AED'000**
Segment revenue	5,435,152	540,966	419,081	113,111	196,277	38,003	-	6,742,590
Depreciation and amortisation	(2,824)	(3,704)	(307,072)	(19,933)	(194,218)	(9,307)	-	(537,058)
Project costs impairment/write-offs	(566,977)	(112,700)	(423,805)	-	(911,226)	(99,712)	-	(2,114,420)
Fair value losses	-	(540,732)	-	-	-	-	-	(540,732)
Other income	3,108,626	-	-	-	-	841,885	-	3,950,511
Segment profit/(loss)	3,791,616	(455,377)	(681,216)	(19,624)	(1,081,238)	737,078	-	2,291,239

Share of income from associates and joint ventures	102,388
Selling and marketing expenses	(33,168)
Depreciation and amortisation	(53,205)
Loss on fair valuation of available-for-sale financial assets	(38,500)
Other expenses	(640,467)
Finance income	118,677
Finance costs	(1,104,473)
Profit for the year	642,491

36 SEGMENT INFORMATION (CONTINUED)

36.1 BUSINESS SEGMENTS (CONTINUED)

Year ended 31 December 2010

	Property development and sales AED'000	Investment properties portfolio AED'000	Hotels AED'000	Schools AED'000	Operative village AED'000	Leisure AED'000	Elimination AED'000	**Group AED'000**
Segment revenue	905,431	325,036	314,239	90,757	94,116	70,989	(9,461)	1,791,107
Depreciation and amortisation	(481)	(1,397)	(315,758)	(16,098)	(138,567)	(13,253)	-	(485,554)
Project costs impairment/write-offs	(3,802,873)	(181,361)	-	-	(205,847)	(118,168)	-	(4,308,249)
Fair value losses	-	(6,992,427)	-	-	-	-	-	(6,992,427)
Other income	15,814	-	-	-	-	(17)	-	15,797
Segment loss	(3,727,830)	(7,079,729)	(348,105)	(12,992)	(319,171)	(254,851)	(5,973)	(11,748,651)

Share of income from associates and joint ventures	(27,584)
Selling and marketing expenses	(76,724)
Depreciation and amortisation	(28,571)
Other expenses	(332,966)
Finance income	262,691
Finance costs	(706,609)
Loss for the year	(12,658,414)

Inter-segment revenue eliminated on consolidation fully pertains to Schools segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2011

36 SEGMENT INFORMATION (CONTINUED)

36.1 BUSINESS SEGMENTS (CONTINUED)

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

	Property development and sales AED'000	Investment properties portfolio AED'000	Hotels AED'000	Schools AED'000	Operative village AED'000	Leisure AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2011								
Assets	22,931,168	9,198,620	4,129,673	639,571	439,542	108,442	2,670,898	40,117,914
Liabilities	8,295,275	5,077,762	5,359,258	566,585	1,394,163	817,094	11,514,202	33,024,339
Capital expenditure	168,039	-	-	-	-	-	80,915	248,954
Projects expenditure	954,143	1,950,587	-	-	-	-	-	2,904,730
As at 31 December 2010								
Assets	27,519,445	11,021,483	4,936,335	261,049	103,024	289,119	3,213,727	47,344,182
Liabilities	4,537,884	4,801,077	5,484,703	332,374	208,795	892,941	26,839,623	43,097,397
Capital expenditure	1,522,813	-	-	-	-	-	214,977	1,737,790
Projects expenditure	3,291,770	2,414,142	-	-	-	-	-	5,705,912

36 SEGMENT INFORMATION (CONTINUED)

36.1 BUSINESS SEGMENTS (CONTINUED)

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

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

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

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

36.2 GEOGRAPHICAL SEGMENTS

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

37 NON CASH TRANSACTIONS

During the current year, the Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

- Conversion of convertible bonds into equity of AED 2,106.1 million (Note 18a).
- The investment property under development amounting to AED 2,452.2 million (Note 7) and the grant income amounting to AED 3,100.4 million have not all been received in cash resulting in a net receivable of AED 4,553.8 million at the end of the reporting period.
- The amounts received for the reimbursement of infrastructure assets of AED 5,035.0 million was settled by the waiver of borrowings due to the Government (Note 32g). The reimbursement reduced by AED 2,280.0 million of development work in progress (Note 11) and increased advances received from the Government by AED 2,755.0 million (Note 23a).

38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 February 2012.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman
Ali Eid AlMheiri

Other Board Members
Sultan Ahmed Al Jaber
Khalifa Sultan Al Suwaidi
Carlos Obeid
Mansour Mohamed Al Mulla
Saeed Mohamed Al Mazrouei
Martin Lee Edelman

EXECUTIVE MANAGEMENT TEAM

Chief Executive Officer
Sami Asad

Deputy CEO
Mohammed Al Mubarak

Chief Financial Officer
Greg Fewer

Head of Legal
Brett Scrymgeour

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