ALDAR PROPERTIES PJSC

Reports and consolidated financial statements for the year ended 31 December 2013

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for the year ended 31 December 2013

BOARD OF DIRECTORS' REPORT

On behalf of the Board of Directors, I am delighted to present the consolidated audited financial statements of Aldar Properties PJSC ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2013.

Principal activities

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

Financial results

The financial results of the Group have been presented on page 10 of these consolidated financial statements. Please also refer to financial review section for details.

Financial statements

The Directors reviewed and approved the consolidated financial statements of the Group for the year ended 31 December 2013.

Directors

The members of the Board of Directors as of 31 December 2013 are:

Mr. Abubaker Seddiq Al Khoori	Chairman
Mr. Ali Eid Al Mheiri	Vice Chairman
Dr. Sultan Ahmed Al Jaber	Director
Mr. Mubarak Matar Al Humairi	Director
Mr. Ahmed Khalifa Mohamed Al Mehairi	Director
Mr. Mansour Mohamed Al Mulla	Director
Mr. Ali Majid Al Mansouri	Director
Mr. Mohamed Haji Al Khoori	Director
Mr. Ali Saeed Abdulla Sulayem Al Falasi	Director
Mr. Martin Lee Edelman	Director

Release

The Directors release from liability the external auditor and management in connection with their duties for the year ended 31 December 2013.

Auditor

Deloitte & Touche (M.E.) are eligible to be re-appointed as external auditor for the year ending 31 December 2014 and have expressed their willingness to be re-appointed.

On behalf of the Board of Directors

Abubaker Seddiq Al Khoori
Chairman
11 February 2014

FINANCIAL REVIEW

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

Key consolidated statement of financial position information

	2013 AED million	2012 AED million
Property, plant and equipment	3,257	3,632
Investment properties	12,026	6,078
Development work in progress	4,311	4,223
Trade and other receivables	13,389	13,337
Cash and bank balances	4,294	2,260
Financing(i)	13,786	14,014
Net assets (total assets less total liabilities)	16,648	8,180

Key consolidated income statement information

	2013 AED million	2012 AED million
Revenue	5,380	11,404
Direct costs	(3,616)	(8,166)
Selling and marketing expenses	(12)	(11)
General and administrative expenses:		
Staff costs	(250)	(198)
Depreciation and amortisation	(309)	(435)
Provisions for impairments/write-offs/cancellations/onerous contracts	(1,136)	(936)
Other general and administrative expenses	(158)	(101)
Gain on assets held for sale	3	-
Gain on business combination	2,591	-
Fair value loss on investment properties	(341)	(170)
Share of (losses)/profits from associates and joint ventures	(16)	121
Impairment loss on available-for-sale financial assets	-	(2)
Finance income	186	223
Finance costs	(727)	(835)
Other income	630	447
	2,225	1,341

Key consolidated cash flow statement information

	2013 AED million	2012 AED million
Net cash generated from operating activities	4,417	4,472
Net cash used in investing activities	(603)	(1,399)
Net cash used in financing activities	(2,746)	(5,435)
Cash and cash equivalents at the end of the year	2,078	1,009
Short term deposits and restricted balances with banks	2,216	1,251
Cash and bank balances at the end of the year	4,294	2,260

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

FINANCIAL REVIEW (continued)

HIGHLIGHTS:

2013 was a year of significant change for Aldar Properties PJSC (henceforth referred to as "Aldar") with the completion of the merger with Sorouh Real Estate PJSC (henceforth referred to as "Sorouh") that created a strong platform for sustainable growth and I am pleased that through this transformational period we are reporting a strong set of results. Net profit 'attributable to Owners of the Company' was AED 2.25 billion, an increase of 68% on full year results for 2012. Earnings per share for 2013 were 34 fils per share compared to 30 fils per share for 2012.

The Group financial results have been significantly transformed by the merger with Sorouh. The results reflect our continued program of unit and land deliveries to our customers including the Government of Abu Dhabi and strong growth in our recurring revenue base both of which we expect to continue into 2014. Revenues for 2013 were AED 5.38 billion following a strong year of project deliveries in 2012 when revenues were AED 11.40 billion. Gross profit for 2013 is AED 1.76 billion compared to AED 3.24 billion in 2012. During the year Aldar and Sorouh completed their merger. The merger was structured as an acquisition of Sorouh by Aldar and as such during the second quarter Aldar recorded AED 2.59 billion 'Gain on business combination' reflecting the difference between the consideration tendered for Sorouh's shares and the fair value of the net assets acquired. The Group reviewed the value of all its assets over the course of the year, in particular at the time of the merger, and reflected AED 1.5 billion of Impairments and Fair Value losses during the year.

BUSINESS COMBINATION

On 27 June 2013, the Company issued shares as consideration for the acquisition of the net assets of Sorouh to Sorouh's shareholders in the ratio of 1.288 new shares in the Company for each share held in Sorouh. The transaction was approved in the shareholders' meeting on 3 March 2013. The financial impact of this acquisition that was completed pursuant to UAE Commercial Companies Law Article 276(1) has been detailed in Note 37 to the consolidated financial statements.

FINANCIAL RESULTS

The Group's consolidated net profit for the year ended 31 December 2013 is AED 2,225 million compared to AED 1,341 million for the year 2012. Revenue for the 12 months ended 31 December 2013 was AED 5,380 million, as compared to AED 11,404 million for the year 2012. Recurring revenues from investment properties and other operational businesses amounted to AED 1,830 million during the year compared to AED 1,438 million in the year 2012. This increase was primarily due to the inclusion of additional recurring revenue during the year as a result of business combination and improved performance of the Group's operational assets including investment properties, operative villages, hotels and schools. The net assets of the Group grew by 104% during the year compared to 31 December 2012, due primarily to the issuance of new shares as consideration pursuant to the business combination with Sorouh, and the conversion of convertible bonds, and the profit for the year.

As at 31 December 2013, the Group had AED 3,156 million available cash and AED 4,004 million available undrawn facility.

OPERATIONAL ACHIEVEMENTS

- The Group recognised revenue on 1,154 residential units and 409,200 sqm of land plots.
- Two towers at the 3,533 unit 'The Gate Towers' project on Reem Island were completed during the fourth quarter and revenue was recognised on 199 units that were handed over to customers.
- Agreement was reached with Arabtec Holding PJSC for the long-term lease of all of the offices at World Trade Center Abu Dhabi, which Aldar manages on behalf of the Government of Abu Dhabi.

FINANCIAL REVIEW (continued)

OPERATIONAL ACHIEVEMENTS (CONTINUED)

- At Al Rayyana, the 1,537 unit development located in Khalifa City A, 287 units were successfully occupied during the year and the related revenue was recognised in the consolidated income statement.
- The external debt ratings of the Group were increased to Ba1 (positive outlook) from Ba3 and BB from B+ by Moody's and Standard and Poor's respectively during the year reflecting the improved financial position and clear strategy of the Group post-merger.

ANALYSIS OF INCOME STATEMENT

Revenue

The Group's revenue was generated primarily from the sale of land and completed properties, rental income from investment properties and income from its operational businesses. The Group earned AED 3,550 million of revenues from property development activities, mainly from the sale of land plots, completed properties and construction. The decrease compared to 2012 was primarily due to exceptionally high revenues from residential units booked in 2012 following handovers at our largest residential development of Raha Beach.

The recurring revenue from the Group's investment properties, operative villages and other operational businesses amounted to AED 1,830 million for the period compared to AED 1,438 million for the year 2012. This increase is driven by the inclusion of recurring revenue acquired under business combination and higher occupancy in our Investment Properties Portfolio, Hotels and Operative Villages.

Direct costs

For the 12 months ended 31 December 2013, direct costs include AED 2,298 million for the cost of land and properties sold, AED 24 million as project management costs and AED 1,294 million for the costs of operational business, investment properties and construction. The overall decrease in direct costs is in line with the decrease in revenue.

General and administrative expenses (excluding depreciation, amortisation and impairments)

General and administrative expenses (excluding depreciation, amortisation and impairments) were higher compared to the corresponding period mainly because the comparative numbers for 2012 does not include the expenses relating to the acquired business.

Finance income/costs

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

The Group had net finance costs of AED 541 million compared to net finance costs of AED 612 million for the year 2012. The decrease is in line with both a reduction in the Group's borrowings and cost of debt but was offset marginally by cessation in capitalization of interest on completed projects.

FINANCIAL REVIEW (continued)

ANALYSIS OF FINANCIAL POSITION

Investment properties

Investment properties increased compared to 31 December 2012 due to ongoing work on investment properties under development, mainly Yas Mall, and the addition of Sorouh's investment properties as a result of the business combination offset by fair value losses during the year.

Development work in progress

Development work in progress as at 31 December 2013 increased compared to 31 December 2012 mainly due to the addition of Sorouh's development work in progress as a result of the business combination, offset by project costs impaired, the transfer of apartments at The Gate Towers, Al Bateen Villas and Apartments and Al Ward Villas to inventories upon completion, and disposals.

Trade and other receivables

The Group's receivables increased compared to the balance at 31 December 2012 mainly due to the addition of Sorouh's receivables as a result of the business combination, offset by collections from the Government of Abu Dhabi.

Financing

The Group's external financing at 31 December 2013 decreased marginally to AED 13,786 million compared to AED 14,014 million as at 31 December 2012. Major movements in external debts over the year included the issuance of a new USD 750 million Sukuk on 03 December 2013, offset by the repayment of loans including the repayment of AED 3.75 billion Sukuk on 17 June 2013 and AED 4.3 billion in bank loans during December 2013.

ANALYSIS OF CASH FLOWS

The Group had net cash inflows of AED 4,417 million from operating activities for the 12 months ended 31 December 2013. This was mainly due to the collection of receivables and advances received from customers including the Government of Abu Dhabi.

The Group's net cash outflows from investing activities for the 12 months ended 31 December 2013 are mainly attributable to additions in investment properties, increase in bank deposits and increase in term deposits with original maturities above three months. This has been offset by cash acquired as a result of the business combination.

Net cash outflows from financing activities for the period are mainly due to net repayment of existing borrowings, related finance costs and profit distribution on Islamic bonds, and the payment of dividends offset by new financing raised during the year.

Greg Fewer
Chief Financial Officer
11 February 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Aldar Properties PJSC
Abu Dhabi, U.A.E.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aldar Properties PJSC ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

Mutasem M. Dajani
Registration Number 726
11 February 2014

Consolidated statement of financial position
as at 31 December 2013

	Notes	2013 AED'000	2012 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,256,809	3,632,232
Intangible assets	6	2,713	3,017
Investment properties	7	12,025,981	6,078,113
Investment in associates and joint ventures	8	1,048,513	716,067
Available-for-sale financial assets	9	102,642	151,461
Trade and other receivables	10	3,101,444	5,785,829
Total non-current assets		19,538,102	16,366,719
Current assets			
Land held-for-sale		1,782,762	-
Development work in progress	11	4,310,918	4,222,729
Inventories	12	3,514,452	1,640,300
Trade and other receivables	10	10,287,732	7,551,186
Cash and bank balances	13	4,294,081	2,259,773
Total current assets		24,189,945	15,673,988
Total assets		43,728,047	32,040,707

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

Consolidated statement of financial position as at 31 December 2013 (continued)

	Notes	2013 AED'000	2012 AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	7,862,630	4,085,129
Share premium	15	10,412,278	7,984,873
Share issuance costs, net	14	(79,920)	(79,920)
Statutory reserve	16	1,235,014	1,010,385
Hedging reserve		(48,296)	(59,896)
Fair value reserve		8,301	7,088
Accumulated losses		(3,015,384)	(4,768,152)
Attributable to equity holders of the parent company		16,374,623	8,179,507
Non-controlling interest		273,336	-
Total equity		16,647,959	8,179,507
Non-current liabilities			
Non-convertible bonds and Sukuk	18	2,744,793	4,587,469
Borrowings	19	2,964,749	3,541,261
Retentions payable		130,842	508,874
Provision for end of service benefit	20	96,901	53,413
Security deposits		1,998	1,998
Other financial liabilities		33,033	39,378
Total non-current liabilities		5,972,316	8,732,393
Current liabilities			
Convertible bonds – liability component	17	-	702,588
Non-convertible bonds and Sukuk	18	4,644,771	3,795,049
Borrowings	19	3,431,542	1,387,954
Retentions payable		1,300,727	651,879
Advances from customers	21	3,144,168	2,129,549
Trade and other payables	22	8,583,052	6,461,788
Other financial liabilities		3,512	-
Total current liabilities		21,107,772	15,128,807
Total liabilities		27,080,088	23,861,200
Total equity and liabilities		43,728,047	32,040,707

Abubaker Seddiq Al Khoori
Chairman

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 2013

	Notes	2013 AED'000	2012 AED'000
Revenue	23	5,379,757	11,403,921
Direct costs	24	(3,615,700)	(8,166,330)
Gross profit		1,764,057	3,237,591
Selling and marketing expenses	25	(12,170)	(11,351)
General and administrative expenses:			
Staff costs	26	(249,818)	(197,875)
Depreciation and amortisation		(309,188)	(434,587)
Provisions, impairments and write downs	27	(1,135,997)	(1,187,102)
Reversal of provision of receivables from/ investment in associates and joint ventures	10.5	-	50,000
Reversal of provision of amounts due from a related party	10.6	-	201,025
Other general and administrative expenses		(158,051)	(100,544)
Share of (loss)/ profit from associates and joint ventures	8	(16,475)	121,489
Gain on assets held for sale		3,018	-
Gain on business combination	37	2,590,782	-
Fair value loss on investment properties	7	(340,544)	(169,946)
Impairment loss on available-for-sale financial assets	9	-	(2,139)
Finance income	28	186,237	222,989
Finance costs	29	(727,020)	(835,382)
Other income	30	630,364	446,490
Profit for the year		2,225,195	1,340,658
Attributable to:			
Owners of the Company		2,246,294	1,340,658
Non-controlling interests		(21,099)	-
		2,225,195	1,340,658

Earnings per share

	Notes	AED per share	
Basic and diluted	31	0.34	0.30

Consolidated statement of comprehensive income
for the year ended 31 December 2013

	Note	2013 AED'000	2012 AED'000
Profit for the year		**2,225,195**	1,340,658
Other comprehensive income/(loss)			
Gain/(loss) on fair valuation of available-for-sale financial assets		**1,213**	(27,542)
Hedging (loss)/gain recognised in profit or loss		**(1,525)**	1,023
Changes in fair value of cash flow hedges		**13,125**	(7,951)
Directors' remuneration	33	**-**	(16,000)
		12,813	(50,470)
Total comprehensive income for the year		**2,238,008**	1,290,188
Total comprehensive income attributable to :			
Owners of the Company		**2,259,107**	1,290,188
Non-controlling interest		**(21,099)**	-
		2,238,008	1,290,188

Consolidated statement of changes in equity for the year ended 31 December 2013

	Notes	Share capital AED'000	Share premium AED'000	Share issuance costs, net AED'000	Statutory reserve AED'000	Hedging reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2012		4,085,129	7,984,873	(79,920)	876,319	(52,968)	34,630	(5,754,488)	7,093,575	-	7,093,575
Profit for the year		-	-	-	-	-	-	1,340,658	1,340,658	-	1,340,658
Other comprehensive loss		-	-	-	-	(6,928)	(27,542)	(16,000)	(50,470)	-	(50,470)
Dividend for the year 2011		-	-	-	-	-	-	(204,256)	(204,256)	-	(204,256)
Transfer to statutory reserve	16	-	-	-	134,066	-	-	(134,066)	-	-	-
Balance at 1 January 2013		4,085,129	7,984,873	(79,920)	1,010,385	(59,896)	7,088	(4,768,152)	8,179,507	-	8,179,507
Profit for the year		-	-	-	-	-	-	2,246,294	2,246,294	(21,099)	2,225,195
Other comprehensive loss		-	-	-	-	11,600	1,213	-	12,813	-	12,813
Dividend for the year 2012	32	-	-	-	-	-	-	(268,897)	(268,897)	-	(268,897)
Conversion of bonds into shares	17	396,501	297,375	-	-	-	-	-	693,876	-	693,876
Issue of shares as consideration for the acquisition of Sorouh	37	3,381,000	2,130,030	-	-	-	-	-	5,511,030	-	5,511,030
Non-controlling interests arising on the acquisition of Sorouh	37.2	-	-	-	-	-	-	-	-	294,435	294,435
Transfer to statutory reserve	16	-	-	-	224,629	-	-	(224,629)	-	-	-
Balance at 31 December 2013		**7,862,630**	**10,412,278**	**(79,920)**	**1,235,014**	**(48,296)**	**8,301**	**(3,015,384)**	**16,374,623**	**273,336**	**16,647,959**

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

Consolidated statement of cash flows
for the year ended 31 December 2013

	2013 AED'000	2012 AED'000
Cash flows from operating activities		
Profit for the year	**2,225,195**	1,340,658
Adjustments for:		
Depreciation and amortisation	**309,188**	434,587
Finance income	**(186,237)**	(222,989)
Dividend income	**(4,939)**	(4,235)
Finance costs	**680,365**	800,045
Amortisation of prepaid finance costs	**46,655**	35,337
Impairment loss of available-for-sale financial assets	**-**	2,139
Fair value loss on investment properties	**340,544**	169,946
Share of loss/(profit) from associates and joint ventures	**16,475**	(121,489)
Release of provision for onerous contracts	**(17,000)**	-
Impairments/write-offs on projects	**1,009,451**	1,171,160
Provision for impairment of trade receivables/cancellations	**40,476**	15,942
Reversal of provision for impairment of amounts due from a related party	**-**	(201,025)
Reversal of provision for impairment of receivables from investment in associates and joint ventures	**-**	(50,000)
Provision for impairment of gross amounts due from construction contracts	**86,070**	-
Reversal of unrealised gain on sale of asset to a joint venture	**(18,592)**	-
Gain on business combination	**(2,590,782)**	-
Gain on disposal of an associate	**(3,018)**	-
Gain on disposal of a subsidiary	**(3,455)**	-
Gain on disposal of property, plant and equipment	**(6,220)**	(92)
Provision for end of service benefit, net	**(1,489)**	6,801
Operating cash flows before changes in working capital	**1,922,687**	3,376,785
Changes in working capital:		
Decrease/(increase) in trade and other receivables	**2,487,764**	(633,029)
(Increase)/decrease in development work in progress	**(363,277)**	741,960
Decrease in inventories	**1,831,746**	5,902,697
Decrease in retentions payable	**(43,674)**	(325,537)
Decrease in advances from customers	**(1,918,966)**	(2,610,453)
Increase/(decrease) in trade and other payables	**501,169**	(1,980,566)
Net cash generated from operating activities	**4,417,449**	4,471,857

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

Consolidated statement of cash flows
for the year ended 31 December 2013 (continued)

	2013 AED'000	2012 AED'000
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(37,427)	(34,904)
Proceeds from disposal of property, plant and equipment	8,655	105
Payments for purchases of intangible assets	(1,062)	(229)
Additions to investment properties	(1,199,702)	(982,570)
Payments for investment in joint ventures	(89,402)	(150)
Cash acquired on business combination	1,521,478	894
Payments for investment in available-for-sale financial assets	(14,222)	(10,484)
Proceeds from disposal of an associate	122,474	-
Finance income received	25,436	30,200
Dividends received	27,091	62,235
Movement in term deposits with original maturities above three months	(1,070,269)	5,077
Movement in restricted bank balances	104,293	(469,071)
Net cash used in investing activities	(602,657)	(1,398,897)
Cash flows from financing activities		
Repayment of non-convertible bonds	(3,750,000)	-
Financing raised	6,371,300	800,000
Repayment of borrowings	(4,332,154)	(5,037,360)
Finance costs paid	(806,492)	(981,796)
Dividends paid	(213,114)	(199,705)
Directors' remuneration paid	(16,000)	(16,000)
Net cash used in financing activities	(2,746,460)	(5,434,861)
Net increase/(decrease) in cash and cash equivalents	1,068,332	(2,361,901)
Cash and cash equivalents at the beginning of the year	1,009,275	3,371,176
Cash and cash equivalents at the end of the year (Note 13)	2,077,607	1,009,275

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

Notes to the consolidated financial statements for the year ended 31 December 2013

1 General information

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

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

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

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

On 27 June 2013, the Company issued shares as consideration for the acquisition of the net assets of Sorouh Real Estate PJSC (henceforth referred to as "Sorouh") to Sorouh's shareholders in the ratio of 1.288 new shares in the Company for each share held in Sorouh. The transaction was approved in the shareholders' meeting on 3 March 2013. The impact of the acquisition on these consolidated financial statements has been detailed in Note 37.

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

2.1 New and revised IFRSs applied with material effect on the consolidated financial statements

IFRS 13 is a new standard that has been adopted in these consolidated financial statements. The result of application of this standard is discussed below.

Impact of application of IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements in IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purpose).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. In addition, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

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

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

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

New and revised IFRSs	Summary of requirement
IAS 19 *Employee Benefits* (as revised in 2011)	IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised.
IAS 27 *Separate Financial Statements* (as revised in 2011)	The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	This standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate	Amends IFRS 1 First-time Adoption of International Financial Reporting Standards to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans.
Amendments to IFRS 7 Financial Instruments: Disclosures relating to offsetting financial assets and liabilities	Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

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

2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
IFRS 10 Consolidated Financial Statements	The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').
IFRS 11 Joint Arrangements	Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
IFRS 12 Disclosure of Interests in Other Entities	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
Annual Improvements 2009 – 2011 *Cycle* covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	Makes amendments to the following standards: IFRS 1 – Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets, IAS 1 – Clarification of the requirements for comparative information, IAS 16 – Classification of servicing equipment, IAS 32 – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes, IAS 34 – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments.*
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.
Amendments to IAS 1 *Presentation of Financial Statements*	The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	The amendments provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

2.3 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014
Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to IAS 39 *Financial instruments* – Recognition and Measurement amendments for novations of derivatives and continuation of hedge accounting	1 January 2014
IFRIC 21 – *Levies*	1 January 2014
Annual improvements 2010-2012 covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 July 2014
Annual improvements 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendment to IAS 19 *Employee Benefits* relating to defined benefit plans and employee contributions	1 July 2014
IFRS 9 *Financial Instruments* (as revised in 2010)	No earlier than annual periods beginning on or after 1 January 2017

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	When IFRS 9 is first applied
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016

Management anticipates that the adoption of these IFRSs in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application.

3 Summary of significant accounting policies

3.1 Statement of compliance

The 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.

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

3.3 Basis of consolidation

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

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

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

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

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

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Al Raha Gardens Property LLC	100%	UAE	Development, sale and management of properties
Al Jimi Mall LLC	100%	UAE	Development and management of investment property
Addar Real Estate Services LLC	100%	UAE	Property development
Al Raha Infrastructure Company LLC	100%	UAE	Development, sale and management of properties
Aldar Academies LLC	100%	UAE	Investment in, and management of entities providing educational services

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Aldar Facilities Management LLC	100%	UAE	Investment in, and management of, entities providing facilities management services
Aldar Commercial Property Developments LLC	100%	UAE	Ownership, management and development of buildings
Farah Leisure Parks Management LLC*	100%	UAE	Supervise, manage and operate theme parks
Aldar Hotels and Hospitality LLC	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services
Aldar Marinas LLC	100%	UAE	Managing and operating marinas, sports clubs and marine machinery
Abu Dhabi World Trade Centre LLC	100%	UAE	Development and management of, and investment in, properties and related activities
Nareel Island Development Company LLC	100%	UAE	Development and management of, and investment in, properties and related activities
Yas Marina LLC	100%	UAE	Ownership, development and management of marinas and related activities
Yas Yacht Club LLC	100%	UAE	Management of yachts and marine sports
Yas Hotel LLC	100%	UAE	Ownership, development and management of hotels
Yas Links LLC	100%	UAE	Ownership and management of golf courses and golf clubs
Al Muna Primary School LLC	100%	UAE	Providing educational services
Gate Towers Shams Abu Dhabi LLC**	100%	UAE	Development of Gate Towers
Sorouh Abu Dhabi Real Estate LLC**	100%	UAE	Act as Mudarib in accordance with the Sukuk Issue structure
Sorouh International Limited**	100%	UAE	Holding company of foreign entities
Sorouh International Development Limited**	100%	UAE	Development of properties and real estate
Sorouh International Morocco Limited**	100%	UAE	Development of properties and real estate

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Lulu Island for Project Development LLC**	100%	UAE	Development of properties and real estate
Tilal Liwa Real Estate Investing LLC**	100%	UAE	Property, rental and management
Al Seih Real Estate Management LLC**	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC**	91.4%	UAE	Property rental and management; real estate projects investment
Sorouh Egypt for Investment and Tourism Development SAE**	80%	Egypt	Investment in tourism activity
Khidmah LLC**	60%	UAE	Management and leasing of real estate
Pivot Engineering & General Contracting Co. (WLL)**	60%	UAE	Engineering and general construction works

* Disposed of during the year
** Subsidiaries acquired through business combination (Note 37)

3.4 Business combinations

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

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

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

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

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

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

3.5 Investments in associates and joint ventures

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.6 Investment in joint operations

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

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

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

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

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

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

3.7 Revenue recognition

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

<u>Sale of properties</u>

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

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

3 Summary of significant accounting policies (continued)

3.7 Revenue recognition (continued)

Construction contracts

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

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

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

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

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

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

Income from investment properties

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

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

3 Summary of significant accounting policies (continued)

3.7 Revenue recognition (continued)

Income from hotels

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

Income from leisure businesses

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

Income from schools

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

Dividend income

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

Interest income

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

3.8 Leasing

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

The Group as lessor

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

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

3 Summary of significant accounting policies (continued)

3.8 Leasing (continued)

The Group as lessee

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

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

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

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

3.9 Foreign currencies

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

3.10 Borrowing costs

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

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

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

3 Summary of significant accounting policies (continued)

3.11 Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

3.12 Capital work in progress

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

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

3 Summary of significant accounting policies (continued)

3.13 Investment property

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

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

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

3.14 Non-current assets held for sale

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

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

3.15 Development work in progress

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

3.16 Inventories

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

3 Summary of significant accounting policies (continued)

3.17 Intangible assets

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

Computer software

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

Licenses

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

3.18 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

3 Summary of significant accounting policies (continued)

3.19 Provisions

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

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

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

Onerous contracts

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

3.20 Employee benefits

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

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

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

3.21 Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-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.

3 Summary of significant accounting policies (continued)

3.21 Government grants (continued)

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

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

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

3.22 Financial assets

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

<u>Cash and cash equivalents</u>

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

<u>AFS financial assets</u>

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

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

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.

3 Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.22 Financial assets (continued)

Derecognition of financial assets

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

3.23 Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

Compound instruments

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

Other financial liabilities

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

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

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

3 Summary of significant accounting policies (continued)

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

Derecognition of financial liabilities

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

3.24 Derivative financial instruments

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

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

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

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

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

Hedge accounting

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

Note 35.5(b) sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the consolidated statement of changes in equity.

3 Summary of significant accounting policies (continued)

3.24 Derivative financial instruments (continued)

Fair value hedges

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

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

Cash flow hedges

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

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

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

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

4.1 Critical judgments in applying accounting policies

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

Classification of leases

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

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

Classification of properties

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

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

4.1 Critical judgments in applying accounting policies (continued)

Determination of the effective date of merger

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

Management has determined that 15 May 2013 was the date on which all the material conditions associated with the merger were substantively satisfied. Management has therefore concluded that the effective acquisition date is 15 May 2013. Therefore, the fair value of Sorouh's net assets was also measured at that date and the consideration was measured at Aldar's share price at that date (Note 37.3).

4.2 Key sources of estimation uncertainty

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

Estimation of total costs of construction contracts

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

Fair value of investment properties and investment properties under development

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

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

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

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

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

4.2 Key sources of estimation uncertainty(continued)

Fair value of investment properties and investment properties under development (continued)

The 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 2013, the valuers have used their market knowledge and professional judgement and have not only relied solely on historic transactional comparables. In these circumstances, there is greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The key assumptions used are as follows:

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

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

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

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

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

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.

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

4.2 Key sources of estimation uncertainty (continued)

Impairment of investments in/receivable from joint ventures and associates

Management regularly reviews its investments in joint ventures and associates for indicators of impairment. This determination of whether investments in joint ventures and associates are impaired, entails Management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment and/or receivable is recognised as an expense in profit or loss. Management is satisfied that no additional impairment is required on its investments in associates and joint ventures (Note 8) and it's receivables from associates and joint ventures (Note 10.5) in excess of amount already provided (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 (Note 10.1).

Derivative financial instruments

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

5 Property, plant and equipment

	Land and buildings AED'000	Labour camps AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Computers AED'000	Motor vehicles AED'000	Leasehold improvements AED'000	Capital work in progress AED'000	Total AED'000
Cost									
1 January 2012	5,674,122	1,493,144	392,752	42,999	64,719	4,735	11,551	497,683	8,181,705
Additions	-	-	60	-	-	-	-	34,697	34,757
Transfer on acquisition of a subsidiary	1,442	-	2,061	-	29	-	105	-	3,637
Transfers, net	131,568	9,330	10,916	4,038	5,720	169	-	(57,900)	103,841
Disposals	-	-	(34)	-	-	(318)	-	-	(352)
1 January 2013	5,807,132	1,502,474	405,755	47,037	70,468	4,586	11,656	474,480	8,323,588
Additions	1,437	2,230	9,451	6,314	3,441	2,321	-	12,233	37,427
Acquired under business combination	150,845	-	156,252	1,135	6,984	270	1,949	1,586	319,021
Disposals	-	-	(32,300)	-	-	(1,781)	-	-	(34,081)
31 December 2013	**5,959,414**	**1,504,704**	**539,158**	**54,486**	**80,893**	**5,396**	**13,605**	**488,299**	**8,645,955**
Accumulated depreciation and impairment									
1 January 2012	1,288,348	1,258,786	219,818	21,073	48,657	2,476	8,921	467,280	3,315,359
Charge for the year	227,591	110,763	65,309	10,560	13,693	1,041	1,441	-	430,398
Transfer on acquisition of a subsidiary	1,515	-	326	-	30	-	105	-	1,976
Impairment loss recognised during the year	943,962	-	-	-	-	-	-	-	943,962
Disposals	-	-	(21)	-	-	(318)	-	-	(339)
1 January 2013	2,461,416	1,369,549	285,432	31,633	62,380	3,199	10,467	467,280	4,691,356
Charge for the year	164,169	70,451	63,922	8,531	5,287	1,095	214	-	313,669
Acquired under business combination	56,739	-	116,860	880	5,110	270	733	-	180,592
Impairment loss recognised during the year	235,175	-	-	-	-	-	-	-	235,175
Disposals	-	-	(30,008)	-	-	(1,638)	-	-	(31,646)
31 December 2013	**2,917,499**	**1,440,000**	**436,206**	**41,044**	**72,777**	**2,926**	**11,414**	**467,280**	**5,389,146**
Carrying amount									
31 December 2013	**3,041,915**	**64,704**	**102,952**	**13,442**	**8,116**	**2,470**	**2,191**	**21,019**	**3,256,809**
31 December 2012	3,345,716	132,925	120,323	15,404	8,088	1,387	1,189	7,200	3,632,232

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

5 Property, plant and equipment (continued)

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

	2013 AED'000	2012 AED'000
Projects under development	-	977
Cost of sales	6,222	-
General and administrative expenses	307,447	429,421
	313,669	430,398

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 235 million (2012: AED 944 million) (Note 27), 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 11% (2012: 10.5%).

6 Intangible assets

	Licenses AED'000	Computer Software AED'000	Total AED'000
Cost			
1 January 2012	1,430	64,346	65,776
Additions	-	229	229
1 January 2013	1,430	64,575	66,005
Additions	-	1,062	1,062
Acquired under business combination	-	975	975
31 December 2013	1,430	66,612	68,042
Accumulated amortisation			
1 January 2012	10	57,812	57,822
Charge for the year	2	5,164	5,166
1 January 2013	12	62,976	62,988
Charge for the year	-	1,741	1,741
Acquired under business combination	-	600	600
31 December 2013	12	65,317	65,329
Carrying amount			
31 December 2013	1,418	1,295	2,713
31 December 2012	1,418	1,599	3,017

7 Investment properties

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

	2013			2012		
	Completed properties AED'000	Properties under development AED'000	Total AED'000	Completed properties AED'000	Properties under development AED'000	Total AED'000
Balance at the beginning of the year	3,403,959	2,674,154	6,078,113	3,413,998	2,586,677	6,000,675
Development costs incurred during the year	12,846	1,186,856	1,199,702	46,041	936,048	982,089
Acquired under business combination	3,560,690	1,012,584	4,573,274	-	-	-
Finance cost capitalised, net	-	164,925	164,925	-	95,608	95,608
Decrease in fair value, net	(163,973)	(176,571)	(340,544)	(165,716)	(4,230)	(169,946)
Transfer upon completion	33,770	(33,770)	-	22,667	(22,667)	-
Transfers from/(to):						
Property, plant and equipment	-	-	-	19,646	-	19,646
Development work in progress	192,765	6,587	199,352	67,323	(890,592)	(823,269)
Refundable costs	-	-	-	-	(25,274)	(25,274)
Inventories	151,159	-	151,159	-	(1,416)	(1,416)
Balance at the end of the year	7,191,216	4,834,765	12,025,981	3,403,959	2,674,154	6,078,113

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

The fair values of the remaining investment properties including properties under development are arrived at on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuations were mainly determined by using the Residual Value Method and Income Capitalisation Method. The effective date of the valuation is 30 November 2013 and management believes that there has been no significant change to the investment properties' fair values as at 31 December 2013. Refer to Note 4 for the key assumptions used.

All investment properties are located in the United Arab Emirates.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

7 Investment properties (continued)

The Company conducted sensitivity for top 10 assets in its Investment Property Portfolio with aggregate value of AED 7.93 billion. The valuation techniques used for these assets are Income Capitalization and Residual Method. The sensitivity is conducted on the Capitalization Rates and Rental Values.

Sensitivity to significant changes in unobservable inputs:

- A decrease in the Capitalization/Discount Rate by 10% would result in a AED 477 million or 6.0% increase in the valuation, whilst an increase in the Capitalization/Discount Rate by 10% would result in AED 399 million or 5.0% decrease in the valuation

- An increase in the rental rates by 10% would result in a AED 620 mn or 8.3% increase in the valuation, whilst an decrease in the rental rates by 10% would result in AED 621 million or 8.3% decrease in the valuation

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

8 Investment in associates and joint ventures

Investee	Ownership interest	Voting power	Place of Registration	Share in underlying net assets at 1 January 2013 AED'000	Additions AED'000	Share in current year's profit/(loss) AED'000	Share in hedging reserve AED'000	Unrealised profits AED'000	Dividends received AED'000	Allocated to current account of the associates/ joint ventures AED'000	Disposals AED'000	Share in underlying net assets at 31 December 2013 AED'000
Associates												
Green Emirates Properties PJSC (i)	40%	40%	Abu Dhabi	35,385	54,535	(15,514)	-	-	-	-	-	74,406
Aseel Finance PJSC	20%	20%	Abu Dhabi	116,717	-	2,739	-	-	-	-	(119,456)	-
Dimarco Electronic Systems LLC	34%	34%	Abu Dhabi	4,131	-	(749)	-	-	-	-	-	3,382
Al Maabar International Investments LLC (i)	40%	40%	Abu Dhabi	105,760	94,296	(27,505)	-	-	-	-	-	172,551
Iskandar Holdings Ltd	19%	19%	Cayman Islands	35,503	-	-	-	-	(1,917)	-	-	33,586
Al Sdeirah Real Estate Company LLC (i)	30%	30%	Abu Dhabi	-	34,079	(357)	-	-	-	-	-	33,722
Al Fayafi Al Khadra Company LLC (i)	40%	40%	Abu Dhabi	-	800	-	-	-	-	-	-	800
World - Class Initiatives and Standards in Education LLC (i)	20%	20%	Abu Dhabi	-	10,000	-	-	-	-	-	-	10,000
Bunya LLC	33%	33%	Abu Dhabi	-	-	(5,000)	-	-	-	5,000	-	-
Abu Dhabi Finance PJSC (ii)	32%	32%	Abu Dhabi	-	160,000	(39,423)	-	-	-	-	-	120,577
				297,496	353,710	(85,809)	-	-	(1,917)	5,000	(119,456)	449,024
Joint ventures												
Aldar Laing O'Rourke Construction LLC	51%	50%	Abu Dhabi	74,360	-	(34,504)	-	-	(5,000)	-	-	34,856
Aldar Besix LLC	51%	50%	Abu Dhabi	27,621	-	(402)	-	-	(11,235)	-	-	15,984
Aldar Etihad Investment Properties LLC	50%	50%	Abu Dhabi	290,415	-	46,196	8,523	-	-	-	-	345,134
Al Raha International Integrated Facilities Management LLC	50%	50%	Abu Dhabi	26,025	-	5,466	-	125	(4,000)	-	-	27,616
Royal House LLC	50%	50%	Abu Dhabi	-	-	(8,284)	-	-	-	8,284	-	-
Aldar Etihad First Investment Properties LLC	50%	50%	Abu Dhabi	75	28,500	42,507	-	-	-	-	-	71,082
Aldar Etihad Development LLC(i)	50%	50%	Abu Dhabi	75	60,900	23,179	-	-	-	-	-	84,154
Galaxy Building Materials (i)	45%	50%	Abu Dhabi	-	25,438	(4,824)	-	-	-	-	-	20,614
S & T District Cooling Co. LLC (i)	50%	50%	Abu Dhabi	-	49	-	-	-	-	-	-	49
				418,571	114,887	69,334	8,523	125	(20,235)	8,284	-	599,489
				716,067	468,597	(16,475)	8,523	125	(22,152)	13,284	(119,456)	1,048,513

(i) Investees acquired under business combination (Note 37).

(ii) Both Aldar and Sorouh held 16% holdings in a common investment which was previously classified as an available for sale financial asset. Subsequent to the acquisition, with a combined holding of 32%, this investment has been reclassified as an investment in an associate. Accordingly, AED 160 million was reclassified from available for sale financial assets to investments in associates and a loss of AED 35 million was recorded in the income statement under share of (loss)/income from associates and joint ventures to reflect the required equity accounting catch up as at the acquisition date. This adjustment was based on the latest available financial information of the investee company.

8 Investment in associates and joint ventures (continued)

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

	2013 AED'000	2012 AED'000
Total assets	**4,871,059**	5,310,273
Total liabilities	**(3,820,624)**	(3,917,655)
Net assets	**1,050,435**	1,392,618
Group's share of net assets of associates	**449,024**	297,496
Total revenue	**201,488**	153,782
Total loss for the year	**(107,852)**	(98,330)

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

	2013 AED'000	2012 AED'000
Total assets	**2,937,518**	2,255,397
Total liabilities	**(1,932,034)**	(1,543,174)
Net assets	**1,005,484**	712,223
Group's share of net assets of joint ventures	**599,489**	418,571
Total revenue	**487,706**	347,865
Total profit for the year	**198,665**	289,996

9 Available-for-sale (AFS) financial assets

	2013 AED'000	2012 AED'000
Investment in UAE unquoted securities	**57,088**	120,675
Investment in international unquoted securities	**45,554**	30,786
	102,642	151,461

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

9 Available-for-sale (AFS) financial assets (continued)

Movement during the year is as follows:

	2013 AED'000	2012 AED'000
Balance at the beginning of the year	**151,461**	170,658
Additions	**14,222**	10,484
Acquired under business combination	**95,746**	-
Transferred to investments in associates	**(160,000)**	-
Fair value gain/(loss) during the year, net	**1,213**	(29,681)
Balance at the end of the year	**102,642**	151,461

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

During the year, dividend income received from AFS financial assets amounted to AED 4.9 million (31 December 2012: AED 4.2 million).

The total impairment loss recognised in profit or loss on an AFS investment as at 31 December 2013 is Nil (31 December 2012: AED 2.1 million).

As a result of the acquisition of Sorouh, an available-for-sale financial asset has been reclassified to an investment in associate as detailed in Note 8 (ii).

10 Trade and other receivables

	2013 AED'000	2012 AED'000
Non-current portion		
Trade receivables (Note 10.1)	**407,525**	6,935
Less: Provision for impairment and cancellations	**(29,322)**	(6,935)
	378,203	-
Receivable from project finance (Note 10.3)	**490,265**	369,478
Receivable from the Government of Abu Dhabi (Note 10.4)	**2,106,909**	5,298,034
Due from joint ventures (Notes 10.5)	**112,067**	118,317
Others	**14,000**	-
	3,101,444	5,785,829

10 Trade and other receivables

	2013 AED'000	2012 AED'000
Current portion		
Trade receivables (Note 10.1)	2,592,322	561,881
Less: Provision for impairment and cancellations	(564,117)	(107,884)
	2,028,205	453,997
Refundable costs (Note 10.2)	2,785,587	4,601,270
Receivable from project finance (Note 10.3)	101,493	123,544
Receivable from the Government of Abu Dhabi (Note 10.4)	3,802,512	1,437,184
Due from joint ventures (Notes 10.5)	342,117	1,493
Gross amount due from customers on construction contracts (Note 10.7)	141,488	-
Due from a related party	-	52,534
Advances and prepayments	617,950	325,757
Accrued interest	8,230	652
Others	460,150	554,755
	10,287,732	7,551,186

10.1 Trade receivables

Trade receivables represent mainly the amounts due from sales of plots of land, properties and revenue from construction contracts. At the end of the year, 40% of the trade receivables (31 December 2012: 44% 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.

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

Ageing of trade receivables

	2013 AED'000	2012 AED'000
Not past due	1,323,682	303,679
Past due but not impaired (more than 180 days)	1,082,725	150,318
Past due and impaired (more than 180 days)	593,440	114,819
Total trade receivables	2,999,847	568,816

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

10 Trade and other receivables (continued)

10.1 Trade receivables (continued)

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

	2013 AED'000	2012 AED'000
Balance at the beginning of the year	**114,819**	195,202
Acquired under business combination	**384,139**	-
Impairment recognised during the year (Note 27)	**115,718**	36,410
Released upon cancellation of sales	**(21,237)**	(116,793)
Balance at the end of the year	**593,439**	114,819

10.2 Refundable costs

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

During the year, the Company was informed by the relevant authority that certain refundable costs would not be reimbursed. This has resulted in a write-off of AED 230.5 million (2012: AED 47.5 million) (Note 27).

10.3 Receivable from project finance

	Minimum payments		Present value of minimum payments	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Amounts receivable from project finance:				
Within one year	**107,525**	126,963	**101,493**	123,544
In the second to fifth year	**348,715**	295,348	**245,639**	209,764
After five years	**657,188**	415,445	**244,626**	159,714
	1,113,428	837,756	**591,758**	493,022
Less: unearned finance income	**(521,670)**	(344,734)	**-**	-
Present value of minimum payments receivable	**591,758**	493,022	**591,758**	493,022
Non-current receivables			**490,265**	369,478
Current receivables			**101,493**	123,544
			591,758	493,022

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10 Trade and other receivables (continued)

10.4 Receivable from the Government of Abu Dhabi

Receivable from the Government of Abu Dhabi represents the amount receivable against certain assets sold in 2009 and 201 land the sale of land plots handed over during the year.

10.5 Due from joint ventures

	Non-current		Current	
	2013	2012	**2013**	2012
	AED'000	AED'000	**AED'000**	AED'000
Gross receivables	**172,005**	171,407	**358,248**	17,624
Less: Provision for impairment	**(59,938)**	(53,090)	**(16,131)**	(16,131)
	112,067	118,317	**342,117**	1,493

10.6 Due from a related party

In 2011, the amount due from a related party was net of a provision for impairment amounting to AED 201 million. During 2012, this amount was reversed in full, as a settlement agreement was put in place.

10.7 Construction contracts

Contracts in progress at the end of the reporting period

	2013 AED'000	2012 AED'000
Amount due from customers on construction contracts included in trade and other receivables	**141,488**	-
Amount due to customers on construction contracts included in trade and other payables	-	-
	141,488	-
Total contracts cost incurred plus recognised profits less recognised losses to date	**3,950,145**	-
Less: total progress billings to date	**(3,808,657)**	-
	141,488	-

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:

	2013 AED'000	2012 AED'000
Balance at beginning of the year	4,222,729	7,133,911
Acquired under business combination	4,565,100	-
Developments during the year	363,276	477,231
Finance costs capitalised during the year, net	24,294	9,879
Disposal under finance lease during the year	(30,776)	-
Depreciation capitalised during the year	-	977
Transfers from/(to):		
Investment properties	(199,352)	823,269
Refundable costs	(22,626)	(357,755)
Projects completed during the year:		
Transfers to inventory	(3,813,034)	(3,079,629)
Disposals (recognised in direct costs)	(292,076)	(1,219,335)
Project costs impairments/write-offs	(506,617)	-
Transfer upon acquisition of a subsidiary, net	-	434,181
Balance at the end of the year	4,310,918	4,222,729

All development work in progress projects are located in the United Arab Emirates, except for a project in Egypt which remains in the pre-development phase.

During the year, management became aware of a building height restriction from the Government authority that impacts one of the Company's projects. The restriction has a direct impact on developable gross floor area (GFA). As a result, the Company has revised the GFA estimates, which led to an impairment of AED 506.6 million (Note 27).

12 Inventories

	2013 AED'000	2012 AED'000
Completed properties	3,487,584	1,628,914
Other operating inventories	26,868	11,386
	3,514,452	1,640,300

During the year, inventories were written down to their net realisable value. As a result, an allowance amounting to AED 33.4 million was recorded in the income statement (Note 27).

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

13 Cash and cash equivalents

	2013 AED'000	2012 AED'000
Cash and bank balances	**2,630,213**	1,642,791
Short term deposits held with banks	**1,663,868**	616,982
	4,294,081	2,259,773
Short term deposits with original maturities greater than three months	**(1,078,103)**	(7,834)
Restricted bank balances	**(1,138,371)**	(1,242,664)
	2,077,607	1,009,275

During the year, the Group held amounts related to community service charges and security deposits on behalf of the owners of units in certain buildings or communities that are managed by the Group. At the end of the reporting period, an amount of AED 57.2 million is not included in the Group's bank balances and cash as it is held by the Group on behalf of third parties.

The interest rate on term deposits ranges between 0.25% and 3.2% (2012: 0.60% and 1.8% per annum. Majority of the fixed deposits are placed with local banks in the United Arab Emirates.

14 Share capital

Share capital comprises 7,862,629,603 (2012: 4,085,129,096) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each. Share issuance costs of AED 94.9 million (31 December 2012: AED 94.9 million) have been presented net of share issuance fees of AED 15.0 million, within equity.

During the year, the remaining portion of the mandatorily convertible bonds issued to Mubadala Development Company was converted into 396,501 shares of the Company (Note 17).

During the year, the Company issued 3,381,000 shares with a fair value of AED 5,511.0 million as consideration for the acquisition of the net assets of Sorouh to the shareholders of Sorouh in the ratio of 1.288 new shares in the Company for each share held in Sorouh.

15 Share premium

Share premium amounting to AED 10,412.3 million (2012: AED 7,984.9 million) represents the following:

- AED 8,282.3 million for 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.
- AED 2,130.0 million against the issued shares on the acquisition of Sorouh.

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 Convertible bonds

	2013 AED'000	2012 AED'000
Proceeds from the issue of convertible bonds	**2,800,000**	2,800,000
Redemption of convertible bonds by share issue	**(2,800,000)**	(2,106,124)
Carrying amount of liability component after redemption	-	693,876
Profit distribution accrued up to year end	-	8,712
Carrying amount of liability component at 31 December	-	702,588
Less: Current portion	-	(702,588)
Non-current portion	-	-
Total profit capitalised to projects during the year	**630**	5,290

In March 2011, the Group issued mandatorily convertible bonds (the "convertible bonds") for a total value of AED 2.8 billion to a related party (the "bond holder") carrying a profit rate of 4% per annum payable semi-annually. In December 2011, an amount of AED 2.1 billion of mandatory convertible bonds was converted. The remaining convertible bonds were converted on 24 February 2013.

18 Non-convertible bonds and Sukuk

	Outstanding at 31 December 2013				Outstanding at 31 December 2012		
	Sukuk- Al- Ijarah (a)	Corporate Bonds (b)	Sukuk Al- Ijarah (c)	Total	Sukuk - Al -Ijarah (a)	Corporate Bonds(b)	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Proceeds from issue	-	4,590,000	2,755,125	7,345,125	3,750,000	4,590,000	8,340,000
Gross issue costs	-	(30,366)	(10,332)	(40,698)	(16,303)	(30,366)	(46,669)
Less: Amortisation of issue costs up to year end	-	27,852	-	27,852	14,688	21,761	36,449
Unamortised issue costs	-	(2,514)	(10,332)	(12,846)	(1,615)	(8,605)	(10,220)
Add: Profit distribution up to year end	-	47,972	9,313	57,285	4,766	47,972	52,738
Carrying amount	-	4,635,458	2,754,106	7,389,564	3,753,151	4,629,367	8,382,518
Less: Current portion	-	(4,635,458)	(9,313)	(4,644,771)	(3,753,151)	(41,898)	(3,795,049)
	-	-	2,744,793	2,744,793	-	4,587,469	4,587,469
Total finance costs capitalised during the year	18,907	68,375	-	87,282	28,591	35,023	63,614

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

(b) In May 2009, the Group issued non-convertible Corporate Bonds for a total value of AED 4.59 billion (USD 1.25 billion). The bonds have an interest rate of 10.75% (2012: 10.75%) per annum payable semi-annually and are due for repayment on 27 May 2014.

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

19 Borrowings

	Outstanding amount								
	Current	Non-current	Total	Unused facility	Security	Interest rate	Maturity	Purpose	Capitalised interest
	AED'000	AED'000	AED'000	AED'000					AED'000
31 December 2013:									
Government loan	-	315,879	315,879	-	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	-
Term loan	28,550	111,064	139,614	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Murabaha financing	33,214	-	33,214	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	515
Murabaha financing	18,000	-	18,000	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	277
Murabaha financing	120,301	-	120,301	-	Secured	3 months EBOR + 2.75%	May 2014	Al Bateen Park	2,269
Term loan	89,630	-	89,630	-	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	3,268
Ijarah facility	500,000	-	500,000	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	7,448
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	7,448
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	7,448
Murabaha facility	300,000	-	300,000	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	4,469
Wakala agency loan	37,500	215,625	253,125	-	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	-
Revolving loan	2,250,000	1,000,000	3,250,000	-	Secured	3 months EBOR + 1.50%	January 2015	General corporate purpose	32,028
Mudaraba facility	29,384	323,224	352,608	-	Secured	6 months EBOR + 2.5%	March 2016	General corporate purpose	51
Term loan	-	-	-	-	Secured	3 months USD LIBOR + 2.0%	October 2013	General corporate purpose	8,013
Ijarah facility	-	-	-	-	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	3,831
Club loan	-	-	-	-	Secured	3 months EBOR + 2.45%	September 2014	General corporate purpose	24,241
Term loan	-	-	-	2,754,000	Secured	3 months LIBOR + 1.4%	November 2018	General corporate purpose	-
Term loan	-	-	-	1,250,000	Secured	3 months EBOR + 1%	December 2017	General corporate purpose	-
Unamortised borrowing cost	(15,140)	(1,043)	(16,183)	-					-
Accrual for interests and profits	40,103	-	40,103	-					-
	3,431,542	2,964,749	6,396,291	4,004,000					101,306

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

19 Borrowings (continued)

	Outstanding amount			Unused	Security	Interest rate	Maturity	Purpose	Capitalised
	Current	Non-current	Total	facility					interest
	AED'000	AED'000	AED'000	AED'000					AED'000
31 December 2012:									
Government loan	-	311,869	311,869	-	Unsecured	1 year USD LIBOR + 0.35%	December 2017	Development of Yas Island	-
Term loan	28,550	133,073	161,623	-	Secured	3 months EBOR + 1.00%	January 2021	Al Mamoura building	-
Term loan	-	-	-	-	Secured	1 year EBOR + 3.15%	December 2012	General corporate purpose	1,799
Murabaha financing	6,964	33,214	40,179	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	315
Murabaha financing	3,000	18,000	21,000	-	Secured	6 months EBOR + 0.85%	April 2014	General corporate purpose	164
Term loan	367,200	-	367,200	-	Secured	3 months USD LIBOR + 2.0%	October 2013	General corporate purpose	2,800
Murabaha financing	120,301	120,301	240,601	-	Secured	3 months EBOR + 2.75%	May 2014	Al Bateen Park	2,071
Ijarah facility	600,000	-	600,000	-	Secured	3 months EBOR + 2.75%	May 2013	Al Raha Beach infrastructure	4,574
Term loan	-	-	-	-	Secured	Fixed rate of 0.5%	August 2012	Development of Central Market	2,988
Term loan	216,000	76,000	292,000	-	Secured	3 months EBOR + 3.50%	June 2014	Working capital requirements	2,970
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.075%	November 2014	General corporate purpose	3,812
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.40%	January 2015	General corporate purpose	3,812
Ijarah facility	-	500,000	500,000	-	Secured	3 months EBOR + 3.725%	April 2015	General corporate purpose	3,812
Murabaha facility	8,333	300,000	308,333	-	Secured	3 months EBOR + 3.75%	November 2014	General corporate purpose	2,449
Wakala agency loan	37,500	253,125	290,625	-	Secured	3 months EBOR + 3.50%	December 2016	Working capital requirements	-
Revolving loan	-	800,000	800,000	3,200,000	Secured	3 months EBOR + 1.50%	January 2015	General corporate purpose	5,017
Unamortised borrowing cost	(29,925)	(8,763)	(38,688)	-					-
Accrual for interests and profits	30,031	4,442	34,473	-					-
	1,387,954	3,541,261	4,929,215	3,200,000					36,583

19 Borrowings (continued)

The borrowings are repayable as follows:

	2013 AED'000	2012 AED'000
Current		
Within one year	**3,431,542**	1,387,954
Non-current		
In the second to fifth year	**2,964,749**	3,521,957
After fifth year	**-**	19,304
	2,964,749	3,541,261
	6,396,291	4,929,215

The Group assumed through the acquisition of Sorouh (disclosed in Note 37) an AED 2.7 billion four-year club loan facility consisting of a term loan and revolving credit, with both conventional and Islamic tranches, and secured by certain assets. The facility was amended in June 2013 to reduce the margin to 2.45% from 4.50% and the term loan amortisation schedule was adjusted with remaining quarterly payments scheduled from December 2013 to June 2014. The loan was prepaid in full in December 2013.

The Group assumed through the acquisition of Sorouh (disclosed in Note 37) a loan of AED 5.9 million. The loan was at an interest at the rate of 6 months EIBOR plus a margin of 1.25% per annum and was repayable over 7 years. The loan was secured by a mortgage over the villas of one of the development projects. The loan was paid in full in December 2013.

In November 2013, the Group signed a term loan facility from a local bank for AED 1.25 billion bearing interest of EIBOR plus 1% margin and repayable in four equal instalments commencing from 15 December 2014. This loan is secured by assignment of Government receivables.

In November 2013, the Group signed a term loan facility from a local bank for US 750 million (AED 2.75 billion) bearing interest of LIBOR plus 1.4 % margin and repayable in quarterly installments. The loan is secured and as at 31 December 2013 remained undrawn.

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 debt to total assets, net worth and interest coverage.

20 Provision for end of service benefit

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

	2013 AED'000	2012 AED'000
Balance at the beginning of the year	**53,413**	46,981
Assumed under business acquisition	**44,977**	-
Charge for the year (Note 26)	**19,836**	17,532
Paid during the year	**(21,325)**	(11,100)
Balance at the end of the year	**96,901**	53,413

21 Advances from customers

Advances from customers represent installments collected from customers for the sale of the Group's property developments. This also includes net advances received from the Government of Abu Dhabi (Note 33).

22 Trade and other payables

	2013 AED'000	2012 AED'000
Trade payables	**406,194**	778,859
Accrual for contractors' costs	**2,061,075**	1,857,135
Accrual for infrastructure costs	**279,606**	254,802
Advances from the Government	**4,078,090**	2,944,834
Deferred income	**360,835**	88,813
Dividends payable	**78,093**	22,305
Provision for onerous contracts	**126,933**	190,343
Deferred government grant	**376,928**	-
Other liabilities	**815,298**	324,697
	8,583,052	6,461,788

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

23 Revenue

	2013 AED'000	2012 AED'000
Property development and sales	**3,377,357**	9,965,877
Income from operating businesses	**2,002,400**	1,438,044
	5,379,757	11,403,921

24 Direct costs

	2013 AED'000	2012 AED'000
Cost of properties sold	**2,322,348**	7,216,314
Direct costs for operating businesses	**1,293,352**	950,016
	3,615,700	8,166,330

25 Selling and marketing expenses

	2013 AED'000	2012 AED'000
Exhibitions and sponsorships	**2,824**	1,807
Project marketing	**58**	1,065
Corporate advertising	**9,242**	8,479
Others	**46**	-
	12,170	11,351

26 Staff costs

	2013 AED'000	2012 AED'000
Salaries, bonuses and other benefits	**682,144**	536,598
Staff training and development	**3,886**	5,950
Post-employment benefit (Note 20)	**19,836**	17,532
	705,866	560,080
Staff costs allocated to:		
Projects under development	**26,426**	21,269
Direct operating costs	**429,622**	340,936
General and administrative expenses	**249,818**	197,875
	705,866	560,080

27 Provisions, impairments and write downs

	2013 AED'000	2012 AED'000
Impairment of property, plant and equipment (Note 5)	**235,175**	943,963
Provisions of trade receivables (Note 10.1)	**115,718**	36,410
Write down of development work in progress (Note 11)	**506,617**	-
Write down of inventories (Note 12)	**33,448**	118,472
Write-off of refundable costs (Note 10.2)	**230,536**	47,529
Others	**14,503**	40,728
	1,135,997	1,187,102

28 Finance income

	2013 AED'000	2012 AED'000
Interest and profit income:		
Islamic deposits	6,163	8,541
Bank fixed deposits	15,359	9,154
Call and current accounts	797	1,140
Gross income	22,319	18,835
Financing element earned on receivables, net	99,408	141,765
Financing income earned on receivables from project finance	56,957	54,046
Other finance income	7,553	8,343
	186,237	222,989

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

	2013 AED'000	2012 AED'000
Loans and receivables	163,918	204,154
Cash and bank balances	22,319	18,835
	186,237	222,989

29 Finance costs

	2013 AED'000	2012 AED'000
Gross costs	907,821	927,762
Less: Amounts included in the cost of qualifying assets	(189,218)	(105,487)
	718,603	822,275
Recycling of hedging reserve loss	8,417	13,107
	727,020	835,382

The weighted average capitalisation rate of funds borrowed is 1.48% per annum (2012: 0.76% per annum).

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

30 Other income

	2013 AED'000	2012 AED'000
Reversal of project provisions and cost recoveries	1,157	431,533
Government grant income recognised upon handover of units in the Gate Tower (Note 33.1.b)	95,961	-
Government grant income recorded upon handover of infrastructure assets (Note 33.1.c)	434,841	-
Government grant income related to costs recovered from Government (Note 33.2)	70,000	-
Others	28,405	14,957
	630,364	446,490

31 Earnings per share

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

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

	2013	2012
Earnings (AED '000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the company)	2,246,294	1,340,658
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	6,617,976,154	4,481,629,603

The weighted average number of shares for the previous year for the purpose of basic and diluted earnings per share includes ordinary shares that were to be issued upon the conversion of the mandatorily convertible bonds (Note 17).

32 Dividends

At the annual general assembly held on 3 March 2013, the Shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 0.06 per share or total of AED 268.9 million. The Board of Directors propose a cash dividend of AED 0.07 per share for 2013. This is subject to the approval of the Shareholders at the annual general assembly.

33 Transactions and balances with related parties

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

Related party balances:

	2013 AED'000	2012 AED'000
Due from Government (net):		
Refundable costs (Note 10.2)	**2,785,587**	4,601,270
Receivable from assets sold	**5,909,421**	6,735,218
Other receivables	**130,759**	394,170
Advances received (Note 21 and 22)	**(5,456,502)**	(4,270,897)
	3,369,265	7,459,761
Due from joint ventures (Note 10.5):		
Current	**342,117**	1,493
Non-current	**112,067**	118,317
	454,184	119,810
Due to joint ventures for project-related work:		
Contract payables	**(32,692)**	(32,502)
Retention payables	**(815)**	(52)
	(33,507)	(32,554)

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

	2013 AED'000	2012 AED'000
Due from/(to) major shareholder owned by Government and/or its associated companies:		
Receivable from project finance (Note 10.3)	**555,101**	493,022
Due from a related party	**-**	52,534
Due to a major shareholder, net	**(99,214)**	(72,155)
Interest bearing convertible bonds (Note 17)	**-**	(702,588)
	455,887	(229,187)

33 Transactions and balances with related parties (continued)

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

	2013 AED'000	2012 AED'000
Key management compensation:		
Directors remuneration paid	**16,000**	16,000
Key management compensation:		
Salaries, bonuses and other benefits	**18,521**	11,427
Post-employment benefits	**2,012**	357
	20,533	11,784

	2013 AED'000	2012 AED'000
Income from Government and major shareholder owned by Government:		
Revenue from sale of land and properties	**1,812,013**	7,438,136
Project management income	**47,497**	217,988
Rental income (gross inflows)	**239,476**	201,853
Government grant income (Note 30)	**600,802**	-
	2,699,788	7,857,977
Work provided by joint ventures	**3,042**	12,093
Finance income from project finance and joint ventures	**63,723**	62,390

33.1 In January 2013, Sorouh announced that the Government of Abu Dhabi had agreed to reimburse up to AED 1.6 billion of infrastructure costs, and to purchase units in the Gate Towers development for AED 1.6 billion. As of 31 December 2013, AED 2.6 billion has been received. These transactions have been accounted for as follows:

a) AED 1.3 billion of the amount received has been recorded as an advance received from Government, included in "advances from customers" and AED 1.3 billion has been recorded as "advances from the Government of Abu Dhabi" under trade and other payables. As of 31 December 2013, the balance in advances from customers is AED 953 million (Note 21) and AED 865 million in advances from Government of Abu Dhabi for refundable costs and managed projects (Note 22).

33 Transactions and balances with related parties (continued)

b) The difference between the selling price of units in the Gate Towers and the fair market price has been recorded as a deferred government grant under trade and other payables (Note 22). This will be recognised in profit or loss upon handover of the units. During the year, an amount of AED 96.0 million was recognised as Government grant income upon handover of units.

c) The amount and timing of the infrastructure cost reimbursement is subject to the completion of certain audit and technical inspections and assessments to be performed by the relevant government authority. Once these activities are completed, there will be reasonable assurance that the grant will be received and at that point it will be recognised as a deferred government grant. Once the conditions of the grant are met, i.e. infrastructure assets are handed over to the designated authorities, the deferred government grant will be recognised in profit or loss. During the year, an amount of AED 434.8 million was recognized as Government grant income upon handover of infrastructure assets.

33.2 During the year, the Group received AED 100 million from Abu Dhabi Government as a compensation for certain costs incurred during the year, out of which, AED 70 million was recognised as Government grant income and the remaining balance of AED 30 million is recorded as deferred Government grant.

Outstanding borrowings of AED 5,575.8 million (31 December 2012: AED 4,505.1 million) are due to the Government and banks controlled by the Government.

34 Commitments and contingencies

34 .1 Capital commitments

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

	2013 AED'000	2012 AED'000
Projects under development	**390,628**	1,543,338
Reimbursable project works in progress	**6,488,606**	3,310,565
Investments	**83,885**	98,105
Other	**7,259**	38,449
	6,970,378	4,990,457

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

The Group has paid an amount of AED 408.9 million (2012: AED 140.6 million) as advances to the suppliers and contractors against the above commitments.

34 Commitments and contingencies (continued)

34.2 Operating lease commitments

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

The Group as lessor

	2013 AED'000	2012 AED'000
Buildings (over a period of 10 years):		
Within one year	**257,122**	283,356
In the second to fifth year	**1,009,808**	862,416
After five years	**298,110**	629,127
	1,565,040	1,774,899

The Group as lessee

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

	2013 AED'000	2012 AED'000
Land (over a period of 67 years):		
Within one year	**41,724**	12,091
In the second to fifth year	**150,058**	51,793
After five years	**381,083**	62,583
	572,865	126,467
Buildings (over a period of 5 years) :		
Within one year	-	31,713
In the second to fifth year	-	-
	-	31,713
	572,865	158,180

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

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

34 Commitments and contingencies (continued)

34.3 Contingencies

Letters of credit and bank guarantees

	2013 AED'000	2012 AED'000
Letters of credit and bank guarantees:		
Issued by the Group	**372,403**	34,307
Group's share in contingencies of joint ventures	**203,467**	4,777

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

35 Financial instruments

35.1 Significant accounting policies

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

35.2 Categories of financial instruments

	2013 AED'000	2012 AED'000
Financial assets		
Available-for-sale financial assets	**102,642**	151,461
Loans and receivables (including cash and bank balances)	**17,065,306**	15,271,031
Total	**17,167,948**	15,422,492
Financial liabilities		
Financial liabilities measured at cost	**19,595,459**	18,160,067
Derivative instruments in designated hedge accounting relationship	**36,545**	39,378
Total	**19,632,004**	18,199,445

35 Financial instruments (continued)

35.3 Financial risk management

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

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

The Group analyses financial risks under the following captions:

35.4 Capital risk management

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

The Group's capital structure comprises borrowings disclosed in Notes 17, 18 and 19, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, share premium, reserves and accumulated losses as disclosed in the consolidated statement of changes in equity.

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

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

The Group monitors its cost of debt on a regular basis. At 31 December 2013, the weighted average cost of debt was 5.89% (2012: 6.11%). 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 (2012: one) borrowing arrangements require the Group maintaining a minimum equity of AED 6.0 billion.

35 Financial instruments (continued)

35.5 Market risk management

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

a) *Foreign currency risk management*

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

Foreign currency sensitivity analysis

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

	Liabilities		Assets	
	2013 AED'000	2012 AED'000	**2013 AED'000**	2012 AED'000
US Dollar	**7,350,102**	4,984,439	**369,821**	296,887

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

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, 17, 18 and 19.

35 Financial instruments (continued)

35.5 Market risk management (continued)

b) Interest rate risk management (continued)

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 2013 would decrease/increase by AED 46.9 million (2012: profit decrease/increase by AED 80.0 million). The Group's sensitivity to interest rates has decreased due to significant loan repayments during the year.

Interest rate swap contracts

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

Cash flow hedges

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

	Average contracted fixed interest rate		Notional principal amount		Fair value		Cash flows	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	%	%	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Less than 1 year	**4.70%**	5.93%	**313,038**	257,916	**9,867**	1,947	**9,867**	1,947
1 to 2 years	**6.07%**	5.93%	**321,807**	238,038	**16,203**	9,294	**16,203**	9,294
2 to 5 years	**6.07%**	6.07%	**336,305**	151,540	**15,544**	20,849	**15,544**	20,849
More than 5 years	**6.07%**	6.07%	**111,844**	78,442	**4,868**	7,288	**4,868**	7,288
			1,082,994	725,936	**46,482**	39,378	**46,482**	39,378

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

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

35 Financial instruments (continued)

35.6 Credit risk management

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

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

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

Concentration of credit risk

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

At 31 December 2013, 100% (2012: 100%) of the deposits were placed with 6 banks. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank.

Trade and other receivables and balances with banks 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.

35 Financial instruments (continued)

35.7 Liquidity risk management

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

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

	Effective interest rate	< 1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	> 5 years AED'000	Total AED'000
31 December 2013:							
Financial assets							
Non-interest bearing instruments	-	350,934	22,882	9,790,428	2,407,941	-	12,572,185
Receivables from project finance	11.25%	-	17,466	84,026	245,639	244,626	591,757
Variable interest rate instruments	Note 13	2,629,728	586,250	2,209,495	-	-	5,425,473
Total		2,980,662	626,598	12,083,949	2,653,580	244,626	18,589,415
Financial liabilities							
Non-interest bearing instruments	-	229	452,510	4,512,140	1,388,157	-	6,353,036
Non-convertible bonds	Note 19	-	-	10,332	2,727,290	-	2,737,622
Fixed interest rate instruments	4%	-	-	-	-	-	-
Variable interest rate instruments	Note 20	-	-	3,431,542	2,964,749	-	6,396,291
Total		229	452,510	7,954,014	7,080,196	-	15,486,949
31 December 2012:							
Financial assets							
Non-interest bearing instruments	-	231,683	373,056	6,669,151	5,679,907	-	12,953,797
Receivables from project finance	12.43%	-	17,466	109,497	295,348	415,445	837,756
Variable interest rate instruments	Note 13	400,136	609,148	1,250,489	-	-	2,259,773
Total		631,819	999,670	8,029,137	5,975,255	415,445	16,051,326
Financial liabilities							
Non-interest bearing instruments	-	196	822,350	5,042,901	1,162,750	-	7,028,197
Non-convertible bonds	Note 19	-	-	-	4,590,000	-	4,590,000
Fixed interest rate instruments	4%	-	-	8,712	-	-	8,712
Variable interest rate instruments	Note 20	15,414	30,698	1,341,842	3,521,957	19,304	4,929,215
Total		15,610	853,048	6,393,455	9,274,707	19,304	16,556,124

36 Fair value of financial instruments

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

	As at 31 December 2013	
Financial liabilities at amortised cost	**Carrying amount AED'000**	**Fair value AED'000**
Sukuk-al-Ijarah (Note 19)	**2,754,000**	**2,796,439**
Corporate bonds (Note 19)	**4,581,396**	**4,759,830**

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 2013, 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	11,525	91,117	-	102,642

The fair values of derivative instruments are determined by independent valuers (see Note 35.5) and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

There were no transfers between Levels during the year.

37 Business combination

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

37 Business combination (continued)

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

37.1 Assets acquired and liabilities recognised at the date of acquisition

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

37 Business combination (continued)

37.2 Non-controlling interests

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

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

37.3 Gain arising on acquisition

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

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

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

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

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

37 Business combination (continued)

37.4 Impact of acquisition on the results of the Group

Included in the revenue for the twelve months period is AED 1,194 million attributable to Sorouh. Since the acquisition date, the business operations of Sorouh have been absorbed by Aldar and it therefore became impracticable to extract the profit attributable to Sorouh for the twelve months ended 31 December 2013.

Had the acquisition of Sorouh been effected at 1 January 2013, the revenue of the Group for the twelve months ended 31 December 2013 would have been AED 6,506 million, and the profit for the twelve months period would have been AED 2,225 million.

37.5 Net cash flow on acquisition

As mentioned in Note 21.3 above, the consideration transferred was entirely in the form of shares resulting in no cash outflow. Net cash and bank balances transferred to the Group on acquisition were AED 1.52 billion.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

38 Segment information

38.1 Business segments

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

Year ended 31 December 2013

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

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

38 Segment information (continued)

38.1 Business segments (continued)

Year ended 31 December 2012

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Group AED'000
Segment revenue	9,965,877	634,151	210,208	415,508	140,252	37,925	11,403,921
Depreciation and amortisation	-	(7,964)	(109,786)	(253,310)	(28,337)	(8,353)	(407,750)
Project costs impairment/write-offs	(62,512)	(521)	918	(923,962)	-	-	(986,077)
Fair value losses	(110,923)	(59,023)	-	-	-	-	(169,946)
Segment profit/(loss)	2,512,979	264,432	(52,750)	(1,116,178)	(16,041)	1,388	1,593,830
Other income							446,490
Share of income from associates and joint ventures							121,489
Selling and marketing expenses							(8,131)
General and administrative expenses							(171,651)
Depreciation and amortisation							(26,837)
Loss on fair valuation of available-for-sale financial assets							(2,139)
Finance income							222,989
Finance costs							(835,382)
Profit for the year							1,340,658

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

38 Segment information (continued)

38.1 Business segments (continued)

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

	Property development and sales AED'000	Investment properties portfolio AED'000	Operative villages AED'000	Construction AED'000	Hotels AED'000	Schools AED'000	Leisure AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2013									
Assets	22,112,969	12,929,524	717,492	1,426,950	2,628,939	369,928	58,888	3,483,357	43,728,047
Liabilities	10,946,693	692,965	153,805	1,022,424	151,444	55,585	19,343	14,037,829	27,080,088
Capital expenditure	12,230	-	-	-	-	-	-	25,194	37,424
Projects expenditure	363,277	1,199,702	-	-	-	-	-	-	1,562,979
As at 31 December 2012									
Assets	17,936,913	6,798,618	242,837	-	2,981,675	550,093	72,550	3,458,021	32,040,707
Liabilities	8,622,947	583,940	174,754	-	145,988	41,731	15,175	14,276,665	23,861,200
Capital expenditure	34,697	-	-	-	-	-	-	60	34,757
Projects expenditure	477,231	982,089	-	-	-	-	-	-	1,459,320

38 Segment information (continued)

38.1 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.

38.2 Geographical segments

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

39 Non cash transactions

39.1 During the year, the Group issued 3,381,000 shares for a value of AED 5,511.0 million (Note 21.3) as consideration for the acquisition of 100% interest in Sorouh. As there was no cash consideration, only the cash acquired has been presented under investment activities in the consolidated statement of cash flows.

39.2 During the year, the remaining convertible mandatory bonds of AED 693.9 million were converted by the bondholder into shares. There was no impact in the consolidated statement of cash flows.

40 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2014.