

**DUBAI HOLDING  
COMMERCIAL OPERATIONS GROUP LLC**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2009**

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## Independent auditor's report

To the shareholders of Dubai Holding Commercial Operations Group LLC

### Report on the financial statements

We have audited the accompanying consolidated financial statements of Dubai Holding Commercial Operations Group LLC ("the Company") and its subsidiaries (together, the "Group"), which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 financial statements.

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

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers  
31 May 2010  
Dubai, United Arab Emirates

# Dubai Holding Commercial Operations Group LLC

## CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2009 AED'000	2008 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	8,367,755	43,261,901
Investment property	6	56,482,791	60,298,427
Intangible assets	7	1,158,081	1,253,447
Investments in associates	8	10,999,008	14,042,920
Investments in joint ventures	9	1,068,673	1,330,584
Available-for-sale financial assets	12	155,841	1,762,587
Derivative financial instruments	13	730,223	627,897
Trade and other receivables	14	2,025,208	3,266,736
		80,987,580	125,844,499
<b>Current assets</b>			
Inventories	18	88,891	127,320
Property held for development and sale	19	32,726,539	32,466,956
Trade and other receivables	14	4,774,158	6,528,517
Due from related parties	20	4,136,842	4,100,548
Available-for-sale financial assets	12	46,068	45,163
Derivative financial instruments	13	3,465	2,412
Cash and cash equivalents	21	1,706,485	2,316,766
Assets classified as held-for-sale	22	43,482,448	45,587,682
		15,455	4,953
<b>Total assets</b>		43,497,903	45,592,635
		124,485,483	171,437,134
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	23	2,000,000	2,000,000
Contributed capital	24	887,148	887,148
Reserves	25	4,591,906	4,234,168
Retained earnings		6,482,904	29,508,648
<b>Minority interest</b>		13,961,958	36,629,964
<b>Total equity</b>		627,439	431,893
		14,589,397	37,061,857
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	28	12,081,031	10,848,602
Other payables	32(a)	17,434,629	14,798,567
Derivative financial instruments	13	1,942,841	1,828,404
Deferred income tax liabilities	42	67,338	77,766
Government grants	29	36,838,507	62,046,368
Due to related parties	20	1,507,378	-
Employees' end of service benefits	31	202,673	276,906
		70,074,397	89,876,613
<b>Current liabilities</b>			
Advances from customers	33	14,165,764	18,386,507
Trade and other payables	32(a)	14,627,632	14,254,253
Provision for other liabilities and charges	32(b)	4,708,180	3,023,993
Due to related parties	20	1,775,498	1,475,717
Derivative financial instruments	13	21,942	-
Borrowings	28	3,118,071	5,500,014
Government grants	29	1,402,254	1,858,180
Liabilities classified as held-for-sale	22	39,819,341	44,498,664
		2,348	-
<b>Total liabilities</b>		39,821,689	44,498,664
<b>Total equity and liabilities</b>		109,896,086	134,375,277
		124,485,483	171,437,134

These consolidated financial statements were approved by the Board of Directors on 31 May 2010 and signed on its behalf by:

.....  
Ahmad Bin Byat  
Chief Executive Officer

.....  
Fadhel Al Ali  
Executive Chairman - Operations

## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED STATEMENT OF INCOME

	Note	Year ended 31 December	
		2009 AED'000	2008 AED'000
<b>Continuing operations</b>			
Revenue	35	9,499,849	13,220,040
Direct costs		(6,190,383)	(7,655,419)
<b>Gross profit</b>		<b>3,309,466</b>	<b>5,564,621</b>
Release of government grants	29	672,036	19,215,661
Other operating income	36	307,527	636,949
		<b>4,289,029</b>	<b>25,417,231</b>
<b>Expenses</b>			
General and administrative	38	(4,698,734)	(3,038,467)
Marketing and selling	39	(141,951)	(843,716)
Other operating expenses	40	(22,118,545)	(11,176,901)
<b>Operating (loss)/profit</b>		<b>(22,670,201)</b>	<b>10,358,147</b>
Finance costs	41	(872,436)	(883,116)
Finance income	41	176,786	496,951
Finance costs - net		(695,650)	(386,165)
Share of loss of associates and joint ventures	8, 9	(81,206)	(98,921)
<b>(Loss)/profit before income tax</b>		<b>(23,447,057)</b>	<b>9,873,061</b>
Income tax expense	42	(4,980)	(9,062)
<b>(Loss)/profit for the year from continuing operations</b>		<b>(23,452,037)</b>	<b>9,863,999</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	22	(116,108)	(41,876)
<b>(Loss)/profit for the year</b>		<b>(23,568,145)</b>	<b>9,822,123</b>
<b>Attributable to:</b>			
Equity holders of the Company		(22,803,210)	10,031,704
Minority interest		(764,935)	(209,581)
		<b>(23,568,145)</b>	<b>9,822,123</b>

## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2009	2008
		AED'000	AED'000
(Loss)/profit for the year		(23,568,145)	9,822,123
<b>Other comprehensive income</b>			
Available for sale financial assets	12	34,244	(2,758,280)
Transfer to consolidated statement of income		-	2,309,946
Share of other comprehensive income of associates and joint ventures	8,9	15,379	(5,797)
Cash flow hedges		996	(36,600)
Currency translation differences		(817)	(662,721)
<b>Other comprehensive income for the year, net of tax</b>		49,802	(1,153,452)
<b>Total comprehensive income for the year</b>		<b>(23,518,343)</b>	<b>8,668,671</b>
<b>Attributable to</b>			
Equity holders of the company		(22,760,759)	9,173,362
Minority interest		(757,584)	(504,691)
<b>Total comprehensive income for the year</b>		<b>(23,518,343)</b>	<b>8,668,671</b>

## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Note	Attributable to owners of the parent										Total
		Share capital AED'000	Contributed capital AED'000	Other reserve AED'000	Statutory reserve AED'000	Translation reserve AED'000	Fair value reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000	Minority interest AED'000	
<b>At 1 January 2008</b>		<b>300</b>	<b>2,855,409</b>	<b>3,476,921</b>	<b>380,327</b>	<b>585,932</b>	<b>473,203</b>	<b>1,816</b>	<b>21,195,068</b>	<b>28,968,976</b>	<b>940,313</b>	<b>29,909,289</b>
<b>Comprehensive income</b>												
Net profit/(loss) for the year		-	-	-	-	-	-	-	10,031,704	10,031,704	(209,581)	9,822,123
<b>Other comprehensive income</b>												
Fair value loss on available-for-sale assets	12	-	-	-	-	-	(2,761,018)	-	-	(2,761,018)	2,970	(2,758,048)
Movement in other reserves in associates		-	-	(2,213)	-	-	(1,558)	-	-	(3,771)	(2,026)	(5,797)
Transfer to consolidated statement of income		-	-	-	-	-	2,289,801	20,145	-	2,309,946	-	2,309,946
Deferred tax	42	-	-	-	-	-	(81)	-	-	(81)	(151)	(232)
Translation reserve	27	-	-	-	-	(366,818)	-	-	-	(366,818)	(295,903)	(662,721)
Fair value losses on cash flow hedges		-	-	-	-	-	-	(36,600)	-	(36,600)	-	(36,600)
<b>Total other comprehensive income</b>		-	-	(2,213)	-	(366,818)	(472,856)	(16,455)	-	(858,342)	(295,110)	(1,153,452)
<b>Total comprehensive income</b>		-	-	(2,213)	-	(366,818)	(472,856)	(16,455)	10,031,704	9,173,362	(504,691)	8,668,671
<b>Transactions with owners</b>												
Transfer from contributed capital	24	1,999,700	(1,999,700)	-	-	-	-	-	-	-	-	-
Additional contribution during the year		-	31,439	-	-	-	-	-	-	31,439	9,883	41,322
Transfer to statutory reserve	26	-	-	-	174,311	-	-	-	(174,311)	-	-	-
Minority interest arising from business combination	43	-	-	-	-	-	-	-	-	-	13,917	13,917
Dividend paid	34	-	-	-	-	-	-	-	(1,543,813)	(1,543,813)	(27,529)	(1,571,342)
<b>Total transactions with owners</b>		<b>1,999,700</b>	<b>(1,968,261)</b>	<b>-</b>	<b>174,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,718,124)</b>	<b>(1,512,374)</b>	<b>(3,729)</b>	<b>(1,516,103)</b>
<b>Balance at 31 December 2008</b>		<b>2,000,000</b>	<b>887,148</b>	<b>3,474,708</b>	<b>554,638</b>	<b>219,114</b>	<b>347</b>	<b>(14,639)</b>	<b>29,508,648</b>	<b>36,629,964</b>	<b>431,893</b>	<b>37,061,857</b>

## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED STATEMENT OF CHANGE IN EQUITY for the year ended 31 December 2009

	Note	Attributable to owners of the parent										Total AED'000
		Share capital	Contributed capital	Other reserve	Statutory reserve	Translation reserve	Fair value reserve	Hedge reserve	Retained earnings	Total equity	Minority interest	
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	
<b>At 1 January 2009</b>		<b>2,000,000</b>	<b>887,148</b>	<b>3,474,708</b>	<b>554,638</b>	<b>219,114</b>	<b>347</b>	<b>(14,639)</b>	<b>29,508,648</b>	<b>36,629,964</b>	<b>431,893</b>	<b>37,061,857</b>
<b>Comprehensive income</b>												
Net loss for the year		-	-	-	-	-	-	-	(22,803,210)	(22,803,210)	(764,935)	(23,568,145)
<b>Other comprehensive income</b>												
Fair value gain on available-for-sale assets	12	-	-	-	-	-	34,550	-	-	34,550	(306)	34,244
Share of other comprehensive income of associates		-	-	8,977	-	(516)	1,032	810	-	10,303	5,076	15,379
Cash flow hedges		-	-	-	-	-	-	3,285	-	3,285	(2,289)	996
Translation reserve		-	-	-	-	(5,687)	-	-	-	(5,687)	4,870	(817)
<b>Total other comprehensive income</b>		-	-	8,977	-	(6,203)	35,582	4,095	-	42,451	7,351	49,802
<b>Total comprehensive income</b>		-	-	8,977	-	(6,203)	35,582	4,095	(22,803,210)	(22,760,759)	(757,584)	(23,518,343)
<b>Transactions with owners</b>												
Additional contribution during the year		-	-	92,753	-	-	-	-	-	92,753	959,817	1,052,570
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(1,079)	(1,079)
Transfer to statutory reserve		-	-	-	222,534	-	-	-	(222,534)	-	-	-
Minority interest arising from business combination		-	-	-	-	-	-	-	-	-	18,681	18,681
Dividend declared		-	-	-	-	-	-	-	-	-	(24,289)	(24,289)
<b>Total transactions with owners</b>		-	-	92,753	222,534	-	-	-	(222,534)	92,753	953,130	1,045,883
<b>Balance at 31 December 2009</b>		<b>2,000,000</b>	<b>887,148</b>	<b>3,576,438</b>	<b>777,172</b>	<b>212,911</b>	<b>35,929</b>	<b>(10,544)</b>	<b>6,482,904</b>	<b>13,961,958</b>	<b>627,439</b>	<b>14,589,397</b>

## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2009 AED'000	2008 AED'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	47	764,229	10,043,390
Payment of employees' end of service benefits	31	(93,362)	(31,538)
Payment of provision for other liabilities and charges	32 (b)	(136,168)	-
Income tax paid	42	(32,939)	(48,068)
<b>Net cash generated from operating activities</b>		<b>501,760</b>	<b>9,963,784</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment net of project accruals	5	(2,236,229)	(12,805,895)
Proceeds from sale of property and equipment	5	188,683	34,561
Purchase of investment property net of project accruals and government grant	6	(812,476)	(867,515)
Proceeds from sale of investment property	6	121,270	133,287
Purchase of intangible assets	7	(40,110)	(277,689)
Purchase of available-for-sale financial assets	12	(5,281)	(2,064,663)
Proceeds on sale of available-for-sale financial assets	12	167,283	687,267
Loan receivable	16	(3,097)	(20,642)
Loans to related parties net of transfers	20	2,716,547	(4,756,062)
Repayments of loans from related parties net of loan converted into preference shares	20	350,593	3,763,065
Finance leases provided during the year	17	(490)	(875)
Recovery of finance lease receivables	17	7,959	7,549
Interest received net of accrual	41	196,254	468,453
Investment in associates and joint ventures	8, 9	(47,764)	(1,954,625)
Proceeds from sale of investment in associate	7	4,903	-
Acquisition of subsidiaries	43	(33,961)	(9,009)
Dividend received		192,269	218,336
<b>Net cash provided by/(used in) investing activities</b>		<b>766,353</b>	<b>(17,444,457)</b>
<b>Cash flows from financing activities</b>			
Net movement in bank borrowings net of exchange gain/loss	28	(84,348)	1,934,156
Interest paid net of accruals	41	(805,705)	(519,018)
Repayment of loans to related parties	20	-	(1,316,214)
Dividends paid	34	(24,289)	(1,521,601)
Capital contribution by shareholders		-	31,439
Investment by minority shareholders		36,011	9,883
<b>Net cash used in financing activities</b>		<b>(878,331)</b>	<b>(1,381,355)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>389,782</b>	<b>(8,862,028)</b>
Cash and cash equivalents, beginning of the year		1,092,910	9,954,938
<b>Cash and cash equivalents, end of the year</b>	21	<b>1,482,692</b>	<b>1,092,910</b>

# Dubai Holding Commercial Operations Group LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

### 1. LEGAL STATUS AND ACTIVITIES

Dubai Holding Commercial Operations Group LLC (“the Company”/“DHCOG”) is a limited liability company incorporated in the Emirate of Dubai, United Arab Emirates on 29 October 2006.

The Company’s registered address is PO Box 66000, Dubai, United Arab Emirates.

The Company is a wholly owned subsidiary of Dubai Holding LLC (“the parent company”). The principal activity of the Company is that of an intermediate holding company of the entities listed below and their subsidiaries, associates and joint ventures (referred together with the Company as “the Group”). The ultimate majority shareholder of the Group is His Highness Sheikh Mohammed Bin Rashid Al Maktoum.

Name of entity	Principal activity	Holding percentage	
		2009	2008
<b>United Arab Emirates</b>			
Tatweer Dubai LLC (“Tatweer”)	Real estate development/leisure and entertainment	100	100
TECOM Investments LLC (“TECOM”)	Real estate and licensing services	100	100
Dubai Properties LLC (“DP”)	Real estate development and facilities management	100	100
Sama Dubai LLC (“Sama”)	Real estate development	100	100
Jumeirah Group LLC (“Jumeirah”)	Hospitality and leisure	100	100
Jumeirah Assets LLC	Hospitality and leisure	100	100

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

As a result of the sudden and sharp downturn in the Dubai real estate market, the Group’s cash flows have come under severe pressure. The Group is currently considering various means to manage its cash flows which include roll over of maturing loans, sale of certain assets and renegotiation of trade and contractors balances.

The holding company has confirmed its willingness to provide such financial support as may be required to manage the process and has confirmed that it has access to funds from the Dubai Financial Support Fund for the specific purpose.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have a material impact on the Group financial statements.
- IFRS 2 (Amendment) 'Share-based Payment' (effective from 1 January 2009). The amendment addresses two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group financial statements.
- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the amendment only requires additional disclosures, there is no impact on earnings..
- IFRS 8, 'Operating segments', IFRS 8 replaces IAS 14, 'Segment reporting' (effective 1 January 2009), and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented as the Group previously reported the segments in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- IAS 1 (revised). 'Presentation of financial statements' – (effective 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a consolidated statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings.
- IAS1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The amendment does not have a material impact on the Group financial statements.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment does not have a material impact on the Group financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) *New and amended standards adopted by the Group* (continued)

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The amendments have no material impact on the Group consolidated financial statements.

- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment does not have a material impact on the Group financial statements.
- IAS 23 (Amendment), 'Borrowing Cost'. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously capitalised borrowing costs relating to qualifying assets. The amendment has no impact on the Group financial statements as the Group previously capitalised borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that assets.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment does not have a material impact on the Group financial statements.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment does not have a material impact on the Group financial statements.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment does not have a material impact on the Group financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

*(a) New and amended standards adopted by the Group* (continued)

- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment does not have a material impact on the Group financial statements.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The amendment does not have a material impact on the Group's financial statements.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The amendment is not expected to have any impact on the Group's financial statements.
- IAS36 (Amendment), 'Impairment of assets '(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment is not expected to have any impact on the Group's financial statements.
- IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment is not expected to have a material impact on the Group's financial statements.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment is not expected to have a material impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) *New and amended standards adopted by the Group* (continued)

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
  - When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The amendment is not expected to have an impact on the Group's statement of income.

- IAS 40, 'Investment property', amendment (and consequential amendment to IAS 16, 'Property, plant and equipment') The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Where the fair value model is applied, such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The effects of adoption by the Group are disclosed in Note 6.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. The interpretation has no impact on the Group financial statements as the Group previously accounted for revenue for construction of real estates in accordance with IAS 18 in line with IFRIC 15 interpretation.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The interpretation is not expected to have a material impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(b) *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010. The revised standard is not expected to have a material impact on the Group's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. The amendment is not expected to have a material impact on the Group's financial statements.
- IFRS 2 Scope of IFRS 2 and IFRS 3 (revised). Amendment to confirm that, in addition to business combinations as defined by IFRS 3 (revised), 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'. Effective for periods beginning on or after 1 July 2009. Linked to application of IFRS 3 (revised). The interpretation will not result in a material impact on the Group's financial statements.
- IFRS 8 Disclosure of information about segment assets. Minor textual amendment to the standard and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Effective for periods beginning on or after 1 January 2010. The interpretation will not result in a material impact on the Group's financial statements.
- IFRS 9, 'Financial Instruments'. IFRS 9 represents the first milestone in the comprehensive IASB project to replace IAS 39, 'Financial instruments: Recognition and measurement', by the end of 2010. IFRS 9 replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 eliminates the need for multiple impairment models, such that only one impairment model for financial assets carried at amortised cost will be required. IFRS 9 is effective for annual periods starting on 1 January 2013. IFRS 9 is not expected to have a material impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(b) *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group* (continued)

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. The amendment is not expected to have a material impact on the Group's financial statements.
- IAS 7 Classification of expenditures on unrecognised assets. Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements. The amendment will not result in a material impact on the Group's financial statements.
- IAS 17 Classification of leases of land and buildings. Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements.
- IAS 18 Determining whether an entity is acting as a principal or as an agent. Additional guidance added to the appendix to IAS 18, 'Revenue', regarding the determination as to whether an entity is acting as a principal or an agent. The amendment will not result in a material impact on the Group's financial statements.
- IAS 24 (Revised), 'Related Party Disclosures'. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. The Group will apply IAS 24 (Revised) from 1 January 2011. The amendment will not result in a material impact on the Group's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. The revised standard is not expected to have a material impact on the Group's financial statements.
- IAS 36 Unit of accounting for goodwill impairment test. Amendment to clarify that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8). Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements.
- IAS 38 Measuring the fair value of an intangible asset acquired in a business combination. Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(b) *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group* (continued)

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements. The amendment will not result in a material impact on the Group's financial statements.
- IAS 39 Treating loan pre-payment penalties as closely related derivatives. Clarification that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract. Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements.
- IAS 39 Scope exemption for business combination contracts. Amendments to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements.
- IAS 39 Cash flow hedge accounting. Amendment to clarify when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. Effective for periods beginning on or after 1 January 2010. The amendment will not result in a material impact on the Group's financial statements.
- IFRIC 9 Reassessment of embedded derivatives and IAS 39, 'Financial instruments: Recognition and measurement – embedded derivatives (amendments)'. An entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment is made on the basis of the circumstances that existed at the later of: (a) the date when the entity first became a party to the contract; and (b) the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract. Effective for periods ending on or after 30 June 2009. The interpretation will not result in a material impact on the Group's financial statements.
- IFRIC 16 Hedges of a net investment in a foreign operation. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. Effective for periods beginning on or after 1 July 2009. The interpretation will not result in a material impact on the Group's financial statements.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. The interpretation is not expected to have a material impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(b) *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group* (continued)

- IFRIC 9 and IFRS 3 (revised) Scope of IFRIC 9 and IFRS 3 (revised) The IASB amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. Effective for periods beginning on or after 1 July 2009.
- IFRIC 18 Transfers of assets from customers. This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. Effective for periods beginning on or after 1 July 2009. The interpretation will not result in a material impact on the Group's financial statements.

**2.2 Basis of consolidation**

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition under the purchase method is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable net assets acquired, including separately identifiable intangibles e.g. brands, and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

Transfer of businesses under common control such as reorganisations, mergers and splits of entities within with Group is accounted for using the uniting of interest method. Business combinations involving entities under common control do not fall under the scope of IFRS 3 "Business Combinations". Under the uniting of interest method there is no requirement to fair value the assets and liabilities of the transferred entities and hence no goodwill is created as the balances remain at book value. The results and cash flows of the subsidiaries, associates and joint ventures are consolidated/equity accounted from the beginning of the financial period in which the Company was incorporated. The consolidated statement of income and the consolidated balance sheet comparatives are also presented as if the Company had been the parent undertaking of the Group throughout the current and previous year. The aim is to present the consolidated financial statements as though the Group had always been consolidated.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.2 Consolidation** (continued)

(c) *Eliminations on consolidation*

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Uniform accounting policies are used for like transactions and events. Therefore, if a subsidiary, associate or joint venture uses different accounting policies from those applied in the consolidated financial statements, appropriate consolidation adjustments to align accounting policies are made when preparing these consolidated financial statements.

(d) *Associates and Joint Ventures*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a contractual arrangement between the Group and one or more other parties to undertake economic activity that is subject to joint control.

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates/joint ventures post-acquisition profits or losses is recognised in the consolidated statement of income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate/joint venture equals or exceeds its interest in the associate/joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate/joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates/joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of income.

**2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional and the Group's presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Balances and transactions denominated in US dollars ("USD") have been translated into the presentation currency at a fixed rate as the exchange rate of AED to USD has been pegged since 1981.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of income within 'other operating income or expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

*(c) Group entities*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) Income and expenses for each statement of income are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.5 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation. The cost of property, plant and equipment is its purchase cost together with any incidental costs of acquisition. 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. The carrying value of the replaced part is de-recognised. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

<b>Type of assets</b>	<b>Years</b>
Buildings and infrastructure	20 - 35
Leasehold improvements	2 - 4*
Equipment and machinery	3 - 7
Furniture, fixtures and office equipment	3 - 15
Computer hardware	3 - 4
Motor vehicles and aircraft	3 - 15
Other assets	3 - 20

*\*Leasehold improvements are depreciated over the lower of their expected useful lives or the lease term.*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within "other operating income/expenses" in the consolidated statement of income.

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in accordance with the Group's policy.

**2.6 Investment property**

Investment property comprises property held for capital appreciation, rental yields or both, and is carried at cost less accumulated depreciation and impairment losses, if any. In addition, land held for undetermined use is classified as investment property and is not depreciated. The fair values for disclosure purposes of the investment properties are determined by external valuers every two years. Otherwise management updates the fair value of the investment property using recent market prices/transactions.

When the development of investment property commences, it is transferred to capital work-in-progress until development is complete, at which time it is transferred to the respective category, and depreciated on the straight-line method, at rates calculated to reduce the cost of the assets to their estimated residual value over their expected useful lives, as follows:

<b>Type of assets</b>	<b>Years</b>
Buildings and infrastructure	20 – 35
Furniture, fixtures and equipment	3 – 15

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

When investment property is sold, gains and losses on disposal are determined by reference to its carrying amount and are taken into account in determining operating profit.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.7 Intangible assets**

*(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate and joint venture as of the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on acquisitions of associates and joint ventures is included in "Investment in associates/joint ventures" and is tested for impairment as part of the overall balance.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified to operating segment.

*(b) Customer base*

The customer base arising on business acquisition comprises customer contracts and related customer relationships. The customer base amount is arrived at by calculating the present value of the expected future economic benefits to arise from those customer contracts and customer relationships after deducting a contributory asset charge. Amortisation is calculated using the straight-line method to allocate the cost of the customer base amount over its estimated useful life of 7 years.

*(c) Long-term management contracts*

Long-term management contracts comprise costs incurred in acquiring a hotel management contract and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of acquiring the contract over its estimated useful life of 15 years.

*(d) Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years.

*(e) Trade names*

Trade names acquired as part of a business combination are initially recognised at fair value. Trade names are measured using the relief from royalty method by estimating a future revenue stream for each line of business underlying the trade name being valued and the application of an appropriate royalty rate to the gross royalty revenue stream. Identification and application of an appropriate tax rate to determine the after tax net royalty revenue stream is also used in determining the fair value of the trade name. Amortisation is calculated using the straight-line method to allocate the cost of the trade names over their estimated useful lives of 3 - 5 years.

*(f) Licenses and re-use rights*

The total cost of acquiring the license and/or re-use right is capitalised as an intangible asset and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the term of the licenses or rights. Theme park licenses, with a term commencing from the date of opening, are subject to amortisation only upon start-up of the park's operations.

*(g) Master plans*

Master plans have finite useful lives and are carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of the master plans over their estimated useful lives of 3 years.

*(h) Brands*

The brands acquired by the Group are carried at cost and have been assessed to have an indefinite useful life. Recognised brand cost is tested annually for impairment and carried at initial recognised cost less accumulated impairment losses, if any.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.8 Financial assets**

**2.8.1 Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. Financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. The Group's loans and receivables comprise 'trade and other receivables', 'loans receivable', 'due from related parties' and 'cash and cash equivalents' in the consolidated balance sheet.

*(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

**2.8.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of income within 'other operating income/other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of income as part of 'other operating income' when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in consolidated statement of comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income as 'other operating income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of income as part of 'other operating income'. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of income as part of 'other operating income' when the Group's right to receive payments is established.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.9 Impairment of financial assets**

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - i) Adverse changes in the payment status of borrowers in the portfolio; and
  - ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated statement of income.

Impairment losses recognised in the separate consolidated statement of income on equity instruments are not reversed through the separate consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated statement of income.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.10 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in the consolidated statement of income under "Other operating income". After a reversal of an impairment loss is recognised, the depreciation/amortisation charge of the asset shall be adjusted in future period to allocate the asset's revised carrying amount, less residual value over the remaining useful life.

**2.11 Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging are disclosed in Note 13. Movement on the hedging reserve in the consolidated statement of equity are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

*(a) Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of income within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of income within 'other operating income/expenses'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the consolidated statement of income within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.11 Derivative financial instruments and hedging activities** (continued)

*(b) Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income within 'other operating income' or 'other operating expenses'.

Amounts accumulated in equity are recycled in the consolidated statement of income in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of income within "Finance costs - net". However when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory or fixed assets), the gains and losses previously recorded in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in direct costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income within 'Other operating income' or 'other operating expenses'.

*(c) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the consolidated statement of income.

Derivatives and hedges used by the Group are:

*(i) Foreign currency options*

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption for foreign exchange risk.

*(ii) Currency and interest rate swaps*

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the interest rate swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

*(iii) Structured equity instrument*

These are over the counter arrangements and are included in the consolidated financial statements at fair value using valuation models.

Fair value models use observable market data and include assumptions on volatility and correlation. Changes in these assumptions could affect the fair value of the structured equity-linked investments. The fair valuations are independent from the respective investment bank trading desks.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.12 Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are classified as non current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income.

**2.13 Inventories**

Inventories are stated at the lower of cost and estimated net realisable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

**2.14 Property held for development and sale**

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs, infrastructure costs and other related direct costs including capitalised borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

**2.15 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances in current accounts, call accounts and term deposits with original maturity of less than or equal to three months, net of bank overdrafts. Bank overdrafts are included in borrowings within current liabilities in the consolidated balance sheet.

**2.16 Assets held-for-sale**

Assets are classified as assets held-for-sale when their carrying amount will be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

**2.17 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.18 Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.19 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 under it.

**2.20 Employee benefits**

*(a) End of service benefits to non-UAE nationals*

An accrual is made for employees in the UAE for estimated liability for their entitlement to annual leave and leave passage as a result of services rendered up to the balance sheet date. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date.

The accruals relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.

*(b) Pension and social security policy within the UAE*

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the consolidated statement of income, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law. An accrual has been made for past contributions relating to the services rendered by the eligible UAE National employees up to 31 December 2002. The Group has no further payment obligations once the contributions have been paid.

*(c) Defined contribution plan*

A number of subsidiaries of the Group participate in a defined contribution plan sponsored by a fellow subsidiary. For the defined contribution plan, these subsidiaries pay contributions to a privately administered pension plan on a voluntary basis for certain eligible employees. The subsidiaries have no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.21 Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets (including tax losses) are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

**2.22 Government grants**

(a) *Land*

Land granted to the Group by the Government of Dubai is initially recognised as government grant at fair value prevailing at the time of the grant, as determined by independent qualified appraisers are included in non current liabilities as government grants. This is subsequently released to the consolidated statement of income as follows:

- (i) Where land is held for sale without any further development, the grant is released when sale of the land is recognised.
- (ii) Where land is held for sale or lease after development, the grant is released when development on the land, in accordance with master plans approved by the Group, has commenced.
- (iii) Where land is held for leasing, the grant is released on commencement of the lease.

Where plots of land are developed or sold in phases, the elements of grants released to the consolidated statement of income are calculated by using the square footage of those plots of land on a pro-rata basis.

Impairment losses or reversals of impairment on granted land that arise prior to the conditions attached for release of government grants are met, are adjusted directly against deferred government grants in the consolidated balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.23 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all significant contingencies relating to the sale have been resolved.

*(a) Sales of land and buildings*

Revenue from sales of land and buildings is recognised in the consolidated statement of income when the risks and rewards of ownership are transferred to the buyer, which is deemed to take place when legal title passes to the buyer. The significant risks and rewards are deemed to be transferred when the title deed is registered in the name of the buyer, which in the case of the buildings generally takes place only upon completion of construction and physical handover of the buildings. However, in certain circumstances, equitable interest in the land and buildings may vest in the buyer before the legal title passes and therefore the risks and rewards of ownership are transferred at that stage. In such cases, provided that the Group has no further substantial acts to complete in connection with the sale of the land or buildings, revenue is recognised when equitable interest in the land or buildings passes to the buyer.

Where the consideration for the sale of land and/or buildings includes provision of subsequent infrastructure facilities, the attributable amount of revenue for the provision of infrastructure facilities is deferred and recognised only upon completion of such facilities. All infrastructure related costs incurred until completion, which include the cost of infrastructure land, are included in capital work-in-progress or property held for development and sale, as appropriate, and are recognised as cost of sales when the related revenue is recognised in the consolidated statement of income. The amount of revenue deferred in relation to the provision of infrastructure facilities is determined by estimating the total cost to completion of those facilities, plus a margin that reflects current market rates for the construction of such facilities.

*(b) Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term on a straight-line basis.

*(c) Telecommunications income*

Revenue from telecommunications, IT and related services is recognised when the services are rendered. Revenue from maintenance contracts is recognised on a time apportionment basis. Revenue from equipment sales is recognised when the risk and rewards of ownership are transferred to the buyer. Equipment lease revenues are recognised on a straight-line basis over the life of the lease.

*(d) Hotel revenue*

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the rooms are rented, goods are sold and services are rendered, net of value added tax, discounts and municipality fees where applicable.

*(e) Commercial and sponsorship income*

Commercial and sponsorship revenue (advertising) is recognised when the advertisement is published and related services are rendered, by reference to the stage of completion of the services provided at the balance sheet date. Events revenue is recognised when events are held.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.23 Revenue recognition** (continued)

(f) *Incorporation and government services*

Incorporation and government services revenue is recognised when the services are provided.

(g) *Barter transactions*

Revenue relating to barter transactions is recorded at the fair value of goods and services received. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided.

(h) *Advances from customers*

Instalments received from buyers, for sales of land and/or buildings, prior to meeting the revenue recognition criteria, are recognised as advances from customers.

(i) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(j) *Dividend income*

Dividend income is recognised when the right to receive the dividend is established.

**2.24 Leases**

(a) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the consolidated balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(b) *Finance leases*

Finance leases, which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are shown as receivable at the inception of the lease at the lower of fair value of the leased asset and at the present value of the minimum lease payments. Lease payments are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable. Finance income is credited directly to income so as to produce a constant periodic rate of interest on the remaining balance of receivable for each period. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

**2.25 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**3. FINANCIAL RISK MANAGEMENT**

**3.1 Financial risk factors**

The Group's multinational operations and significant debt financing exposes it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by the individual entities within the Group, with oversight from the Head Office Risk Management Department, under policies approved by the Executive Committee. The Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Executive Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Euro ("EUR"), British Pound ("GBP"), Swiss Francs ("CHF"), Japanese Yen ("JPY") and Tunisian Dinar. With the UAE dirham currently being pegged to the US dollar, foreign exchange risk between these two currencies is limited. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group uses foreign currency borrowings, forward foreign exchange contracts and cross currency swaps to hedge its risks arising from significant exposure denominated in foreign currencies.

As per the Group's policy, Group Treasury is responsible for monitoring and managing all foreign currency exposures relating to committed and uncommitted operating contracts that generate foreign currency denominated cash flows at a future determinable date. Foreign currency dealings are centralised with Group Treasury for all Group operations, and the results of hedging are pushed down to the entities. In order to hedge the foreign exchange exposure, Group Treasury firstly utilises natural hedges (for instance, matching of foreign currency receivables against payables in the same currency elsewhere in the Group) and then enters into foreign exchange deals for the remaining Group exposure with external counterparties. The Group finances certain investments through the use of foreign currency borrowings to hedge the foreign currency investment. The Group uses currency swaps, forward exchange contracts, plain vanilla and other structured derivatives to hedge and manage foreign exchange risks.

**Euro/AED exchange rate sensitivity analysis**

At 31 December 2009, if the Euro had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax (loss)/profit for the year would have been AED 438 million higher/lower (2008: AED 447 million) mainly as a result of foreign exchange gains/losses translation of Euro-denominated borrowings and trade payables.

**GBP/AED exchange rate sensitivity analysis**

At 31 December 2009, if the GBP had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax (loss)/profit for the year would have been higher/lower by AED 296 million (2008: AED 283 million), mainly as a result of foreign exchange gains/losses on translation of GBP-denominated borrowings and trade payables.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**3. FINANCIAL RISK MANAGEMENT (continued)**

**3.1 Financial risk factors (continued)**

(a) *Market risk (continued)*

(i) *Foreign exchange risk (continued)*

**CHF/AED exchange rate sensitivity analysis**

At 31 December 2009, if the CHF had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax (loss)/profit for the year would have been higher/lower by AED 91 million (2008: AED 88 million), mainly as a result of foreign exchange gains/losses on translation of CHF-denominated borrowings.

**JPY/AED exchange rate sensitivity analysis**

At 31 December 2009, if the JPY had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax (loss)/profit for the year would have been higher/lower by AED 40 million (2008: 41 million), mainly as a result of foreign exchange gains/losses on translation of JPY-denominated borrowings.

The below table shows the exposure to different currencies of the Group's financial assets and liabilities:

	<b>AED</b> <b>AED'000</b>	<b>EURO</b> <b>AED'000</b>	<b>USD</b> <b>AED'000</b>	<b>GBP</b> <b>AED'000</b>	<b>Others</b> <b>AED'000</b>	<b>Total</b> <b>AED'000</b>
<b>At 31 December 2009</b>						
<b>Financial assets</b>						
Available-for-sale financial assets	1,853	3,193	196,863	-	-	201,909
Derivative financial instruments	-	3,940	729,748	-	-	733,688
Trade and other receivables	2,745,276	412,840	63,809	163,238	34,079	3,419,242
Due from related parties	4,042,304	22,381	5,195	486	66,476	4,136,842
Cash and bank balances	1,457,938	101,206	15,475	4,878	126,988	1,706,485
	<b>8,247,371</b>	<b>543,560</b>	<b>1,011,090</b>	<b>168,602</b>	<b>227,543</b>	<b>10,198,166</b>
<b>Financial liabilities</b>						
Borrowings	2,196,432	4,359,502	4,402,550	2,949,062	1,291,556	15,199,102
Derivative financial instruments	4,005	5,597	1,955,181	-	-	1,964,783
Trade and other payables	13,081,701	559,330	263,503	174,141	832,898	14,911,573
Due to related parties	3,624,952	-	146,050	3,670	66	3,774,738
	<b>18,907,090</b>	<b>4,924,429</b>	<b>6,767,284</b>	<b>3,126,873</b>	<b>2,124,520</b>	<b>35,850,196</b>
<b>At 31 December 2008</b>						
<b>Financial assets</b>						
Available-for-sale financial assets	3,937	-	1,803,813	-	-	1,807,750
Derivative financial instruments	2,412	-	627,897	-	-	630,309
Trade and other receivables	3,387,344	191,838	4,815	-	2,730	3,586,727
Due from related parties	4,100,548	-	-	-	-	4,100,548
Cash and bank balances	2,112,945	71,190	107,806	1,482	23,343	2,316,766
	<b>9,607,186</b>	<b>263,028</b>	<b>2,544,331</b>	<b>1,482</b>	<b>26,073</b>	<b>12,442,100</b>
<b>Financial liabilities</b>						
Borrowings	1,520,965	4,122,452	6,752,023	2,686,065	1,267,111	16,348,616
Derivative financial instruments	-	-	1,828,404	-	-	1,828,404
Trade and other payables	14,261,358	419,814	31,598	147,476	28,511	14,888,757
Due to related parties	1,475,717	-	-	-	-	1,475,717
	<b>17,258,040</b>	<b>4,542,266</b>	<b>8,612,025</b>	<b>2,833,541</b>	<b>1,295,622</b>	<b>34,541,494</b>

\*The assets and liabilities denominated in AED are included in the above table in order to agree the relevant total to the consolidated balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**3. FINANCIAL RISK MANAGEMENT** (continued)

**3.1 Financial risk factors** (continued)

(ii) *Price risk*

The Group is exposed to equity securities price risk through investments held by the Group and classified on the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

As at 31 December 2009, if the unit price of listed available-for-sale financial assets had increased/decreased by 10%, with all other variables held constant, the impact on equity would have been AED 15 million (2008: AED 30 million).

(iii) *Cash flow and fair value interest rate risk*

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (floating rate loan notes and borrowings). Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The ratio of variable rate borrowings to fixed rate borrowings is 42:58 (2008: 53:47). The Group manages its interest rate risk by using derivative instruments such as interest rate swaps.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run for net exposures of the Group to interest bearing liabilities.

In addition, at 31 December 2009, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax (loss)/profit for the year would have been AED 78 million (2008: AED 90 million) lower/higher, mainly as a result of higher/lower interest expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**3. FINANCIAL RISK MANAGEMENT** (continued)

**3.1 Financial risk factors** (continued)

(b) *Credit risk*

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Trade receivables are either made to customers with an appropriate credit history or secured by bank guarantees. Derivative assets and bank deposits are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The table below shows the balance of major banks (based on Moody's rating) at the balance sheet date.

<b>Counterparties with external credit rating (Moody's)</b>	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Bank balances</b>		
A1	579,910	1,121,490
Baa1	382,413	-
Aa3	365,188	479,684
A2	218,549	333,956
A3	33,688	9,399
Baa2	7,770	-
Aa2	117	174,096
Aa1	-	131,523
Ba2	-	5,061
NA*	111,329	51,507
	<b>1,698,964</b>	<b>2,306,716</b>
<b>Derivative assets</b>		
Aa1	391,062	342,411
A1	264,184	219,599
Aa1	-	52,470
Aa2	71,036	8,053
Aa3	2,856	239
A1	-	5,125
NA*	4,550	2,412
	<b>733,688</b>	<b>630,309</b>

\* Balances maintained with banks with no formal credit rating. However, management views these banks to be high credit quality financial institutions.

\*\* Cash in hand of AED 7,521,000 (2008: AED 10,050,000) has been excluded from the above bank balances.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**3.FINANCIAL RISK MANAGEMENT** (continued)

**3.1 Financial risk factors** (continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year AED'000	2 to 5 years AED'000	More than 5 years AED'000
<b>At 31 December 2009</b>			
Borrowings	3,713,437	10,666,183	3,710,865
Trade and other payables	17,923,367	-	-
Retentions payable	1,096,170	600,216	-
Due to related parties	481,010	-	-
Loans from related parties	1,436,167	1,660,984	-
Derivative financial instruments	-	134,899	220,863
	<b>24,650,151</b>	<b>13,062,282</b>	<b>3,931,728</b>
<b>At 31 December 2008</b>			
Borrowings	6,020,146	5,715,665	7,654,770
Trade and other payables	16,211,545	-	-
Retentions payable	657,621	1,043,584	-
Due to related parties	958,454	-	-
Loans from related parties	517,263	-	-
Derivative financial instruments	-	242,733	864,746
	<b>24,365,029</b>	<b>7,001,982</b>	<b>8,519,516</b>

Management is in discussion with its lenders to roll over some of its facilities which will become due during 2010.

The Group has the following undrawn borrowing facilities:

	2009 AED'000	2008 AED'000
Floating rate:		
- Expiring within one year	57,729	469,472
Fixed rate:		
- Expiring beyond one year	1,498	2,024

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**3. FINANCIAL RISK MANAGEMENT** (continued)

**3.1 Financial risk factors** (continued)

(c) *Liquidity risk* (continued)

Note 28 analyses the Group's borrowings into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Note 13 analyses the derivative financial instruments between assets and liabilities, including the contract amounts and fair values.

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year AED'000</b>	<b>2 to 5 years AED'000</b>	<b>More than 5 years AED'000</b>
<b>At 31 December 2009</b>			
<b>Derivatives</b>			
Cross currency contracts and interest rate swaps			
- Outflow	(421,958)	(12,479,563)	(3,724,905)
- Inflow	461,142	12,344,664	3,504,042
	39,184	(134,899)	(220,863)
<b>At 31 December 2008</b>			
<b>Derivatives</b>			
Cross currency contracts and interest rate swaps			
- Outflow	(377,026)	(12,344,446)	(4,033,420)
- Inflow	421,548	12,101,713	3,168,674
	44,522	(242,733)	(864,746)

**3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2007, the Group launched its inaugural bond transaction into the debt capital markets, debuting with a three-currency benchmark tranche using the Group's USD 8 billion Medium Term Note ("MTN") Program. The total proceeds raised in this initial transaction were USD 2.5 billion and were used to refinance an existing 18-month bridge facility of USD 2.25 billion for financing the acquisition of 35% of Tunisie Telecom in 2006.

The issuance marked a balanced debt redemption profile by issuing 3 tranches of USD 500 million 5-years, EUR 750 million 7-years and GBP 500 million 10-years. The bonds are listed on the Dubai International Financial Exchange ("DIFX"). During 2008, the Group issued two tranches of CHF 250 million 3-years and JPY 10 Billion 5-years.

The transaction was launched simultaneously with the announcement of the Group's ratings of A1 stable (Moody's), A+ stable (S&P) and AA- stable (Fitch). The same ratings were assigned to the USD 8 billion MTN Program and each of the multi-currency bonds. As at 31 December 2009, the Group's ratings were B1 watch negative (Moody's) and BB watch negative (Fitch).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**3. FINANCIAL RISK MANAGEMENT** (continued)

**3.2 Capital risk management** (continued)

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	<b>2009</b>	<b>2008</b>
	<b>AED'00</b>	<b>AED'00</b>
Total borrowings (Notes 20, 28)	18,000,968	16,865,879
Less: cash and cash equivalents (Note 21)	(1,706,485)	(2,316,766)
Net debt	16,924,483	14,549,113
Total equity	14,589,397	37,061,857
Total capital	30,883,880	51,610,970
Gearing ratio	53%	28%

The increase in the gearing ratio during 2009 resulted primarily from the significant reduction in total equity which is as a result of the impairment charge of AED 20.4 billion taken during the year.

**3.3 Fair value estimation**

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is based on valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, these instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, these instruments are included in level 3.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**3. FINANCIAL RISK MANAGEMENT** (continued)

**3.3 Fair value estimation** (continued)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	729,138	-	729,138
Derivatives used for hedging	-	4,550	-	4,550
Available for sale financial assets				
- Equity securities	149,310	-	2,339	151,649
- Money market fund	-	-	50,260	50,260
<b>Total assets</b>	<b>149,310</b>	<b>733,688</b>	<b>52,599</b>	<b>935,597</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	1,951,673	-	1,951,673
- Derivatives used for hedging	-	13,110	-	13,110
<b>Total liabilities</b>	<b>-</b>	<b>1,964,783</b>	<b>-</b>	<b>1,964,783</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**4.1 Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

*(a) Impairment of assets*

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of the impairment reviews. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Management's projections have been prepared on the basis of strategic plans, knowledge of the market, and management's views on achievable growth in market share over the term period of three to five to years.
- The discount rates of 11% applied to cash flows are based on the Group's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate estimates of 5% are based on a conservative view of the long-term rate of growth.

An impairment charge of AED 43.8 billion (2008: 8.9 billion) has been recognised against property, plant and equipment (Note 5), investment property (Note 6), and property held for development and sale (Note 19) and investment in associates (Note 8). This charge was recorded following management's impairment review of these balances due to the overall downturn in global market conditions and the uncertainty associated with the future profitability of certain projects. The impairment provisions have been determined as the difference between the carrying value of the property, plant and equipment, investment property, property held for development and sale, and investment in associates (before impairment charge) and the recoverable amount. The recoverable amount has been determined on the basis of "value in use".

At 31 December 2009 if the discount rates used were 1% higher/lower, with all other variables held constant, post tax (loss)/profit for the year would have been AED 699,710,000 lower/higher. If the growth rates used were 1% higher/lower, with all other variables held constant, post tax profit for the year would have been AED 388,104,000 lower/higher.

*(b) Provisions for liabilities on termination of contracts*

During the year, provisions of AED 377 million (2008: AED 2.9 billion) have been recognised for estimated liabilities on termination of contracts. This provision has been included within "Other operating expenses" (Note 40). The provisions have been determined on the basis of management's best estimates for the liabilities that the Group may incur upon termination of existing contracts. The difference between the estimated liabilities provided for and the maximum possible liability for the Group is disclosed as a contingent liability.

At 31 December 2009 if the proportion of the claim provided for was 5% higher/lower, with all other variables held constant, post tax (loss)/profit for the year would have been AED 173,325,000 (2008: AED 427,470,00) lower/higher.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (continued)

**4.1 Critical accounting estimates and assumptions** (continued)

*(c) Fair value of land and government grants*

During 2009, the Group was granted land by the Government of Dubai. The fair value of this land was AED 0.3 billion (2008: 23.1 billion), as valued by independent qualified appraisers. Significant judgement is required in determining the fair value of the land granted.

Such grants are released to the consolidated statement of income in accordance with the accounting policy on government grants as set out in Note 2.22. In applying this policy to plots of land that are developed or sold in phases, the elements of grants released to the consolidated statement of income are calculated by using the gross footage of those plots of land on a pro-rata basis.

*(d) Infrastructure*

The Group defers a portion of revenue from sale of land and buildings if the Group has further substantial obligations to complete the infrastructure facilities in connection with the sale of land and buildings. This requires the use of estimates to determine the deferred portion of revenue relating to the cost to complete construction of the infrastructure facilities.

**4.2 Critical judgements in applying the entity's accounting policies**

*(a) Impairment of investments in associates*

Management assesses the impairment of investments in associates whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related investment.

The assumptions used in determining the recoverable amounts include the discount rate. Any changes in these assumptions will impact the carrying amount of investment in associates.

If the estimated pre-tax discount rate applied to the discounted future cash flows for one of the Group's investments in associates had been 1% higher, this would have led to an additional impairment in the carrying value of the investment amounting to AED 1,257,065,000 (2008: AED 1,067,646,000).

*(b) Contractor claims*

At 31 December 2009, certain contractors have raised claims on the Group for termination or delay of contracts for construction and consultancy, demobilisation of the contractor's equipment, repatriation costs associated with the contractor's staff and labour, loss of profit and other associated costs. The likelihood of economic outflows resulting from these claims is assessed to be AED 4 billion (2008: AED 2.6 billion) representing management's best estimate of the liabilities that may be incurred in this regard. Significant judgement is required to estimate the amount of liability required at the year end.

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 5. PROPERTY, PLANT AND EQUIPMENT

All amounts in AED thousands	Note	Land	Buildings and infra-structure	Leasehold improvements	Equipment and machinery	Furniture, fixtures and office equipment	Computer hardware	Motor vehicles and aircraft	Other assets	Capital work-in-progress	Total
<b>Cost</b>											
At 1 January 2009		938,837	5,305,678	118,249	1,776,814	2,804,746	129,326	259,046	106,710	37,506,556	48,945,962
Acquisition of subsidiaries	43	-	-	-	19,269	-	-	-	-	-	19,269
Additions		-	18,316	27,791	66,694	98,102	31,182	786	14,748	2,627,607	2,885,226
Disposals		-	(17,973)	(7,702)	(99,508)	(68,929)	(3,334)	(145,193)	-	(16,043)	(358,682)
Write-offs		-	-	(36,291)	(415)	(26,242)	(4,004)	-	-	(206,099)	(273,051)
Transfers to investment property	6	-	(21,222)	-	-	-	-	-	-	(26,078,873)	(26,100,095)
Transfers to property held for development and sale	19	-	-	-	-	-	-	-	-	(6,736,208)	(6,736,208)
Transfer to assets classified as held-for-sale	22	-	(268,213)	-	(319,432)	(20,380)	(45,325)	(12,534)	-	(7,859)	(673,743)
Transfers from property held for development and sale	19	6,722	-	-	-	-	-	-	-	37,698	44,420
Transfer from assets classified as held-for-sale	22	-	-	-	-	-	-	-	-	1,382	1,382
Transfer from the parent company		-	-	-	25	1,101	17,046	-	-	-	18,172
Other transfers and reclassifications		-	888,656	14,060	165,278	(323,021)	65,753	(7,293)	(74,547)	(728,886)	-
Exchange differences		-	6,441	-	46,467	25	5	363	2,365	4,648	60,314
<b>At 31 December 2009</b>		<b>945,559</b>	<b>5,911,683</b>	<b>116,107</b>	<b>1,655,192</b>	<b>2,465,402</b>	<b>190,649</b>	<b>95,175</b>	<b>49,276</b>	<b>6,403,923</b>	<b>17,832,966</b>
<b>Depreciation and impairment</b>											
At 1 January 2009		-	1,402,102	74,041	1,094,726	1,742,146	60,268	44,315	17,816	1,248,647	5,684,061
Acquisition of subsidiaries	43	-	-	-	3,173	-	-	-	-	-	3,173
Charge for the year		-	211,825	22,865	147,393	246,409	45,102	15,552	8,197	-	697,343
Disposals		-	(2,145)	(972)	(91,683)	(46,091)	(2,545)	(20,312)	-	-	(163,748)
Write-offs		-	-	(10,924)	(292)	(9,371)	(2,499)	-	-	-	(23,086)
Impairment		-	440,171	6,137	9,860	34,114	24,126	34	735	3,748,299	4,263,476
Transfers to investment property	6	-	(17,881)	-	-	-	-	-	-	(506,008)	(523,889)
Transfers to property held for development and sale	19	-	-	-	-	-	-	-	-	(321,295)	(321,295)
Transfer to assets classified as held-for-sale	22	-	(48,748)	-	(78,210)	(18,982)	(39,537)	(9,261)	-	(2,807)	(197,545)
Transfer from the parent company		-	-	-	5	598	12,084	-	-	-	12,687
Other transfers and reclassifications		-	126,774	-	(54,526)	(101,942)	36,591	(6,913)	16	-	-
Exchange differences		-	1,737	-	32,121	13	2	152	-	9	34,034
<b>At 31 December 2009</b>		<b>-</b>	<b>2,113,835</b>	<b>91,147</b>	<b>1,062,567</b>	<b>1,846,894</b>	<b>133,592</b>	<b>23,567</b>	<b>26,764</b>	<b>4,166,845</b>	<b>9,465,211</b>
<b>Net book amount</b>		<b>945,559</b>	<b>3,797,848</b>	<b>24,960</b>	<b>592,625</b>	<b>618,508</b>	<b>57,057</b>	<b>71,608</b>	<b>22,512</b>	<b>2,237,078</b>	<b>8,367,755</b>

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

All amounts in AED thousands	Note	Land	Buildings and infra-structure	Leasehold improvements	Equipment and machinery	Furniture, fixtures and office equipment	Computer hardware	Motor vehicles and aircraft	Other assets	Capital work-in-progress	Total
<b>Cost</b>											
At 1 January 2008		913,351	5,041,469	97,072	1,695,742	2,481,051	75,829	252,689	108,124	35,490,947	46,156,274
Acquisition of subsidiaries		-	-	-	48	95	61	-	-	-	204
Additions		66,173	113,401	48,759	173,857	207,154	72,549	6,193	1,930	15,095,386	15,785,402
Disposals		-	(6,966)	-	(51,371)	(66,885)	(73)	(408)	-	-	(125,703)
Write-offs		-	(12,084)	(15,288)	(2,847)	(2,118)	(797)	-	(31)	(85,752)	(118,917)
Write-backs		-	10,189	-	-	-	-	-	-	-	10,189
Transfers to investment property	6	-	(57)	-	(633)	(2,680)	-	-	-	(3,457,246)	(3,460,616)
Transfers to property held for development and sale	19	-	-	-	-	-	-	-	-	(13,260,866)	(13,260,866)
Transfer to intangible assets	7	-	-	-	-	-	-	-	-	(52,969)	(52,969)
Transfer to assets classified as held-for-sale	22	-	(1,382)	-	-	-	-	-	-	-	(1,382)
Transfers from investment property	6	-	1,746	-	-	143,087	-	-	-	2,374,017	2,518,850
Transfers from property held for development and sale	19	-	-	-	-	-	-	-	-	1,583,524	1,583,524
Transfers		(40,687)	169,130	(12,294)	29,121	45,083	(18,234)	966	-	(173,085)	-
Exchange differences		-	(9,768)	-	(67,103)	(41)	(9)	(394)	(3,313)	(7,400)	(88,028)
<b>At 31 December 2008</b>		<b>938,837</b>	<b>5,305,678</b>	<b>118,249</b>	<b>1,776,814</b>	<b>2,804,746</b>	<b>129,326</b>	<b>259,046</b>	<b>106,710</b>	<b>37,506,556</b>	<b>48,945,962</b>
<b>Depreciation and impairment</b>											
At 1 January 2008		-	1,170,821	26,324	964,852	1,427,035	48,042	23,717	14,899	76	3,675,766
Acquisition of subsidiaries		-	-	-	16	80	17	-	-	-	113
Charge for the year		-	202,103	27,617	149,404	271,305	26,190	20,143	2,918	-	699,680
Disposals		-	(6,483)	-	(24,999)	(65,374)	(71)	(256)	-	-	(97,183)
Impairment		-	36,430	35,684	38,976	40,294	309	511	-	1,248,647	1,400,851
Write-offs		-	(22)	(10,256)	(2,069)	(857)	(240)	-	-	-	(13,444)
Transfers to investment property	6	-	-	-	-	(2,629)	-	-	-	-	(2,629)
Transfers from investment property	6	-	116	-	-	68,227	-	-	-	-	68,343
Transfers		-	1,235	(5,328)	13,600	4,070	(13,976)	475	-	(76)	-
Exchange differences		-	(2,098)	-	(45,054)	(5)	(3)	(275)	(1)	-	(47,436)
<b>At 31 December 2008</b>		<b>-</b>	<b>1,402,102</b>	<b>74,041</b>	<b>1,094,726</b>	<b>1,742,146</b>	<b>60,268</b>	<b>44,315</b>	<b>17,816</b>	<b>1,248,647</b>	<b>5,684,061</b>
<b>Net book amount</b>		<b>938,837</b>	<b>3,903,576</b>	<b>44,208</b>	<b>682,088</b>	<b>1,062,600</b>	<b>69,058</b>	<b>214,731</b>	<b>88,894</b>	<b>36,257,909</b>	<b>43,261,901</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**5. PROPERTY, PLANT AND EQUIPMENT** (continued)

At 31 December 2009, an impairment provision of AED 4.264 billion (2008: 1.401 billion) has been recognised against property, plant and equipment. This charge was recorded following management's impairment review of all property, plant and equipment balances due to the effect of the overall downturn in global market conditions and the uncertainty associated with the future use of these assets. This impairment charge is included within other operating expenses (Note 40).

Under the terms of a loan facility obtained by the ultimate shareholder and assigned to the Group, the Group shall not dispose all or part of the property, plant and equipment of Madinat Jumeirah LLC, which has a net book amount of AED 1,094,038,000 (2008: AED 1,194,280,000), without obtaining the consent of the bank, which shall not be unreasonably withheld (Note 28).

The land on which the Madinat Jumeirah Resort is constructed has not been recorded in the books of the Group. It is held in the name of the ultimate shareholder. No amount is payable by the Group for the use of such land.

Capital work-in-progress comprises design and development costs of buildings and infrastructure. It also includes interest capitalised of AED 25,055,000 (2008: AED 73,500,000) and land of AED 624,488,440 (2008: AED 13,614,625,000).

Depreciation charge is included under:

	<b>Year ended 31 December 2009 AED'000</b>	<b>Year ended 31 December 2008 AED'000</b>
Direct costs	494,274	520,454
General and administrative expenses	179,386	179,226
Discontinued operations	23,683	-
	<b>697,343</b>	<b>699,680</b>

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 6. INVESTMENT PROPERTY

	Note	Land AED'000	Buildings AED'000	Infrastructure AED'000	Furniture, fixtures and equipment AED'000	Capital work-in- progress AED'000	Total AED'000
<b>Cost</b>							
At 1 January 2009		58,534,638	5,151,370	806,616	224,583	-	64,717,207
Additions		3,826	117,659	186	2,084	1,048,613	1,172,368
Disposals		-	(61,584)	(73,134)	(10)	-	(134,728)
Write-off		-	-	-	-	(4,376)	(4,376)
Government grants received	29	302,375	-	-	-	-	302,375
Returned to Government of Dubai	29	(363,243)	-	-	-	-	(363,243)
Transfers from property, plant and equipment*	5	7,462,683	6,496,330	-	-	12,141,082	26,100,095
Transfers from property held for development and sale	19	13,187	289,277	-	-	4,940	307,404
Transfers to property held for development and sale	19	(1,127,862)	-	-	-	(2,239,681)	(3,367,543)
Transfers to assets classified as held-for-sale	22	(1,679)	(15,060)	-	-	-	(16,739)
Transfers		(40,235)	537,157	124,311	-	(621,233)	-
Exchange differences		4,891	-	-	-	(5,348)	(457)
At 31 December 2009		64,788,581	12,515,149	857,979	226,657	10,323,997	88,712,363
<b>Depreciation</b>							
At 1 January 2009		3,700,000	515,906	80,606	122,268	-	4,418,780
Charge for the year		-	255,697	38,426	21,733	-	315,856
Disposals		-	(13,458)	-	-	-	(13,458)
Impairment charge		21,098,943	2,334,759	-	-	3,751,453	27,185,155
Transfers from property, plant and equipment	5	-	17,881	-	-	506,008	523,889
Transfer to property held for development and sale	19	-	-	-	-	(196,854)	(196,854)
Transfer to assets classified as held-for-sale	22	-	(3,796)	-	-	-	(3,796)
At 31 December 2009		24,798,943	3,106,989	119,032	144,001	4,060,607	32,229,572
<b>Net book amount</b>							
At 31 December 2009		39,989,638	9,408,160	738,947	82,656	6,263,390	56,482,791

\* Transfers of capital work-in-progress from property, plant and equipment upon adoption of IAS 40 (revised 2008) – at carrying amount (Note 5)

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 6. INVESTMENT PROPERTY (continued)

	Note	Land AED'000	Buildings AED'000	Infrastructure AED'000	Furniture, fixtures and equipment AED'000	Total AED'000
<b>Cost</b>						
At 1 January 2008		34,894,188	2,499,802	264,476	333,475	37,991,941
Additions		840,982	4,385	-	22,148	867,515
Government grants	29	23,671,894	-	-	-	23,671,894
Transfers from property, plant and equipment	5	636,751	2,186,651	623,123	14,091	3,460,616
Transfers to property, plant and equipment	5	(2,374,017)	-	-	(144,833)	(2,518,850)
Transfers from property held for development and sale	19	1,386,958	462,644	-	-	1,849,602
Transfers to property held for development and sale	19	(3,453)	-	-	-	(3,453)
Disposals		(58,504)	(2,112)	(80,983)	(298)	(141,897)
Returned to Government of Dubai	29	(409,036)	-	-	-	(409,036)
Transfer to a related party	34	(49,741)	-	-	-	(49,741)
Exchange differences		(1,384)	-	-	-	(1,384)
At 31 December 2008		58,534,638	5,151,370	806,616	224,583	64,717,207
<b>Depreciation</b>						
At 1 January 2008		-	362,893	51,805	160,902	575,600
Charge for the year		-	153,312	28,801	27,281	209,394
Disposals		-	(299)	-	(201)	(500)
Impairment		3,700,000	-	-	-	3,700,000
Transfers from property, plant and equipment	5	-	-	-	2,629	2,629
Transfers to property, plant and equipment	5	-	-	-	(68,343)	(68,343)
At 31 December 2008		3,700,000	515,906	80,606	122,268	4,418,780
<b>Net book amount</b>						
At 31 December 2008		54,834,638	4,635,464	726,010	102,315	60,298,427

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**6. INVESTMENT PROPERTY** (continued)

The Group adopted the 2008 amendments to IAS 40, 'Investment property' (and consequential amendments to IAS 16, 'Property, plant and equipment') with prospective application from 1 January 2009.

A formal valuation of the Group's investment property was performed by an independent appraiser, on an open market basis, as at 31 December 2008 as well as 31 December 2009. Based on such valuation, the fair value of the investment property at 31 December 2009 was AED 81.6 billion (2008: AED 141.8 billion).

At 31 December 2009, an impairment charge of AED 27.2 billion (2008: AED 3.7 billion) has been recognised. AED 20.3 billion (2008: AED 3.7 billion) of AED 21.1 billion (2008: AED 3.7 billion) impairment was recognised against land. The balance of impairment charge of AED 6.9 billion (2008: AED Nil) is charged to the consolidated statement of income.

Development costs of AED 4,376,000 were written-off relating to certain projects under development that were terminated during the year.

The land on which the Souq of Madinat Jumeirah is constructed has not been recorded in the books of the Group. It is held in the name of the ultimate shareholder. No amount is payable by the Group for the use of such land.

Under the terms of a loan facility obtained by the ultimate shareholder and assigned to the Group, the Group shall not dispose all or part of the investment property within Madinat Jumeirah LLC, which amounts to AED 124,001,000 (2008: AED 119,868,000), without obtaining the consent of the bank, which shall not be unreasonably withheld (Note 28).

Under the terms of a loan facility obtained by the parent company, the Group shall not dispose all or part of investment property, which has a net book amount of AED 2,488,910,000 without obtaining the consent of the lender.

The following amounts have been recognised in the consolidated statement of income in respect of investment property:

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Rental income (Note 35)	1,973,726	1,673,092
Direct operating expenses arising from investment properties	580,598	398,502
Impairment on investment property	6,888,728	-

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 7. INTANGIBLE ASSETS

	Note	Goodwill AED'000	Customer base AED'000	Long-term management contracts AED'000	Computer software AED'000	Licences and trade names AED'000	Master plans AED'000	Brands AED'000	Others AED'000	Total AED'000
<b>Cost</b>										
At 1 January 2009		434,618	324,468	67,549	79,649	379,523	86,137	4,250	77,096	1,453,290
Acquisition of subsidiaries	43	13,747	41,400	-	-	5,469	-	-	-	60,616
Additions		-	-	-	23,061	4,736	1,597	-	10,716	40,110
Transfer from the parent company		-	-	-	3,850	-	-	-	-	3,850
Transfer to assets classified as held-for-sale	22	-	-	-	(867)	(152)	-	-	(719)	(1,738)
Write-off		-	-	-	(1,763)	(39,468)	(43,452)	-	-	(84,683)
Transfers		-	608	-	6,632	8,134	-	-	(15,374)	-
Exchange differences		14,339	12,893	-	1,669	1,057	-	-	1,525	31,483
At 31 December 2009		462,704	379,369	67,549	112,231	359,299	44,282	4,250	73,244	1,502,928
<b>Amortisation</b>										
At 1 January 2009		1,757	54,294	14,316	37,268	43,700	30,500	-	18,008	199,843
Charge for the year		-	31,450	3,676	23,099	11,759	8,495	-	15,103	93,582
Impairment charge		-	-	18,317	2,053	23,967	26,516	-	-	70,853
Transfer to assets classified as held-for-sale	22	-	-	-	(435)	(84)	-	-	(719)	(1,238)
Transfer from the parent company		-	-	-	2,807	-	-	-	-	2,807
Transfers		-	608	-	174	8,125	-	-	(8,907)	-
Write-off		-	-	-	(909)	(778)	(23,761)	-	-	(25,448)
Exchange differences		-	2,364	-	1,067	483	-	-	534	4,448
At 31 December 2009		1,757	88,716	36,309	65,124	87,172	41,750	-	24,019	344,847
Net book amount		460,947	290,653	31,240	47,107	272,127	2,532	4,250	49,225	1,158,081

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 7. INTANGIBLE ASSETS (continued)

	Note	Goodwill AED'000	Customer base AED'000	Long-term management contracts AED'000	Computer software AED'000	Licences and trade names AED'000	Master plans AED'000	Brands AED'000	Others AED'000	Total AED'000
<b>Cost</b>										
At 1 January 2008		448,262	337,173	67,549	24,213	26,801	157,019	4,250	79,521	1,144,788
Acquisition of subsidiaries	43	5,593	-	-	184	8,410	-	-	9,132	23,319
Additions		-	-	-	16,441	240,705	-	-	20,543	277,689
Transfer from property, plant and equipment	5	-	-	-	17,350	-	35,619	-	-	52,969
Write-off		-	-	-	-	-	(2,183)	-	(6,507)	(8,690)
Transfers		-	-	-	23,809	104,318	(104,318)	-	(23,809)	-
Exchange differences		(19,237)	(12,705)	-	(2,348)	(711)	-	-	(1,784)	(36,785)
At 31 December 2008		434,618	324,468	67,549	79,649	379,523	86,137	4,250	77,096	1,453,290
<b>Amortisation</b>										
At 1 January 2008		1,757	29,994	8,809	8,711	10,098	22,897	-	10,146	92,412
Charge for the year		-	26,588	4,498	20,425	16,827	8,782	-	7,028	84,148
Impairment charge		-	-	1,009	2,430	16,233	-	-	8,433	28,105
Transfers		-	-	-	7,023	1,179	(1,179)	-	(7,023)	-
Exchange differences		-	(2,288)	-	(1,321)	(637)	-	-	(576)	(4,822)
At 31 December 2008		1,757	54,294	14,316	37,268	43,700	30,500	-	18,008	199,843
At 31 December 2008		432,861	270,174	53,233	42,381	335,823	55,637	4,250	59,088	1,253,447

Other intangible assets include indefeasible rights of use and broadcasting rights.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**7. INTANGIBLE ASSETS** (continued)

During the year an impairment charge of AED 70,853,000 (2008: AED 28,105,000) is included within 'other operating expenses' (Note 40). This charge was recorded following management's annual review of asset balances in view of a decline in earnings from these assets.

Goodwill and brands are allocated to the Group's CGUs identified according to the business segments. A segment-level summary of the allocation of goodwill and brands is presented below:

	31 December 2009			31 December 2008				
	Telecomm- unications AED'000	Real estate AED'000	Other AED'000	Total AED'000	Telecomm- unications AED'000	Real estate AED'000	Other AED'000	Total AED'000
UAE	15,186	6,361	9,819	31,366	-	6,358	9,638	15,996
Europe	429,374	-	-	429,374	416,659	-	-	416,659
Other	-	4,457	-	4,457	-	4,456	-	4,456
	444,560	10,818	9,819	465,197	416,659	10,814	9,638	437,111

The Group has tested separately recognised goodwill and brands with indefinite life for impairment. As a result, no impairment loss was recognised in 2009 and 2008.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering a five-year period, based on financial budgets approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations for each CGU are as follows:

**Goodwill**

- Forecast cash flows based on past performance and expectations of market development
- Growth rate: 2.2% to 3%
- Discount factor: 8.5% to 24.3%
- Gross margin: 29% to 93.7%
- EBITDA margin: 15 % to 35%

These assumptions have been used for the analysis of each CGU within the business segment.

The weighted average growth rates used are consistent with the forecasts used in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**8. INVESTMENTS IN ASSOCIATES**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
At 1 January	14,042,920	10,245,325
Investment during the year	36,993	1,299,590
Government grant	-	5,546,602
Share of loss	(95,863)	(71,025)
Impairment charge (Note 40)	(3,388,006)	(2,091,001)
Transfer from investment in joint venture (Note 9)	290,770	-
Dividend received from an associate	(192,269)	(218,336)
Other equity movements	14,569	(5,797)
Disposal during the year	(4,903)	-
Write-off	-	(3,678)
	10,704,211	14,701,680
Exchange differences	(13,888)	(658,760)
Preference shares in an associate	308,685	-
At 31 December	10,999,008	14,042,920

*Investment in associates at 31 December 2009 includes a gross goodwill of AED 8,145,357,000 (2008: AED 8,139,048,000), intangible assets of AED 1,929,062,000 (2008: AED 1,996,134,000) and other fair value adjustments of AED 50,927,000 (2008: AED 105,732,000).*

During the year, a loan to Interoute amounting to AED 308,685,000 was converted to preference shares which carries right of dividend at 4.2% on cumulative basis. Redemption of these preference shares and dividend is at the discretion of the issuer and accordingly the loan was re-classified as part of interest in associates.

During the year, the Group acquired additional shareholding of 2.5% in Hellenic Company for Telecommunications and Telematic Applications S.A. ("Forthnet") for AED 36,993,000 (2008: 34.6% for AED 1,200,902,000). The purchase price allocation exercise was finalised during the year and no adjustment to provisional figures was required.

The fair values of Tunisie Telecom, Dubai Festival city, Forthnet and Prisme International, declined significantly since acquisition. As a result, the carrying value of the investments were tested for impairment, resulting in impairment losses of AED 3,388,006,000 (2008: AED 2,091,001,000) being recorded. (Note 40)

During the year the Group disposed of its investment in Prisme International LLC for an amount of AED 3,000,000. A loss of AED 1,903,000 has been recognised on this sale.

Whilst the Group's interest in du is 19.5%, the Group has representation on the Board of du and continues to exercise significant influence in the business of du. The investment therefore continues to be classified as an associate. On the other hand, the Group's interest in Prisme International and Jernain EMS LLC is 60% and 50% respectively, the Group does not control but has significant influence in the business of these companies. The investment therefore continues to be classified as an associate.

In 2005 an amount of AED 145,553,000 relating to the Group's share of profit from the sale of Sahn to an associate (du) was eliminated. During 2009, there has been a crystallisation of part of this gain amounting to AED 14,209,700 (2008: 14,209,700). The remaining unrecognised gain amounts to AED 60,021,000 (2008: AED 74,232,000)

The Group's share of its associates' contingencies and commitments amounts to AED 137,089,000 (2008: AED 117,873,000) and AED 1,807,781,000 (2008: AED 591,565,000) respectively.

The fair market value at the year end of the Group's investment in listed shares amounted to:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
du	2,285,400	1,693,000
Forthnet	381,671	196,000
	2,667,071	1,889,000

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 8. INVESTMENTS IN ASSOCIATES (continued)

The financial information relating to the Group's share of its associates before adjusting for goodwill and intangibles is as follows:

Name	Nature of business	% interest held	
		2009	2008
<b>United Arab Emirates</b>			
Axiom Telecom LLC (Axiom)	Mobile phone retail, wholesale and services	40	40
Emirates Integrated Telecommunications Company, PJSC ("du")	Telecommunications	19.5	19.5
Emirates Central cooling system corporation ("EMPOWER")	District cooling services	30	50
Lammtarra FZ LLC	Entertainment media	30	30
Prisme International LLC	Event management	-	60
Dubai Festival City LLC	Property development and leasing	30	30
Jernain EMS LLC	Energy management Solutions	50	50
<b>United Kingdom</b>			
Interoute Telecom Holding Limited (UK)	Dark fibre and bandwidth services	30	30
<b>Tunisia</b>			
Societe Nationale De telecommunications 'Tunisie Telecom'	Telecommunications	35	35
<b>Greece</b>			
Hellenic company for Telecommunications and Telematic Applications S.A (Forthnet)	Telecommunications	37.1	34.6
<b>Morocco</b>			
Al Manar Development Company	Real estate developer	30	30

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 8. INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information relating to the Group's share of its associates based on their financial statements prepared under IFRS, is as follows:

Name	31 December 2009					31 December 2008				
	Assets AED'000	Liabilities AED'000	Revenues AED'000	Profit AED'000	Carrying value AED'000	Assets AED'000	Liabilities AED'000	Revenues AED'000	loss AED'000	Carrying value AED'000
Axiom	739,363	645,751	2,034,212	33,924	534,705	802,399	740,688	2,317,687	54,125	502,804
du	1,858,721	1,314,371	1,041,046	51,504	484,329	1,516,308	1,026,871	770,433	804	415,206
EMPOWER	970,364	686,108	178,035	31,643	290,770	-	-	-	-	-
Lammtarra FZ LLC	3,198	452	4,144	677	9,061	10,243	1,865	6,307	1,159	8,378
Prisme International LLC	-	-	-	-	-	15,046	7,137	32,118	1,909	7,909
Dubai Festival City LLC	4,314,647	3,415,504	309,840	(201,150)	1,210,844	6,528,537	3,291,885	952,642	(82,670)	3,450,000
Jernain EMS LLC	1,557	1,134	253	20	452	1,532	1,134	262	15	427
Interoute Telecom Holding Limited (UK)	803,516	448,535	427,714	(57,225)	427,742	783,121	690,895	400,856	(72,427)	197,068
Tunisie Telecom	2,665,958	1,299,316	1,308,772	283,551	7,052,173	2,623,418	1,325,823	1,318,544	255,960	8,398,077
Forthnet	2,129,531	1,445,029	683,124	(75,091)	957,919	1,823,089	1,136,687	390,964	(76,393)	983,745
Al Manar Development Company	200,132	169,119	102,331	21,372	31,013	91,251	78,952	-	(917)	79,306
<b>Total</b>	<b>13,686,987</b>	<b>9,425,319</b>	<b>6,089,471</b>	<b>89,225</b>	<b>10,999,008</b>	<b>14,194,944</b>	<b>8,301,937</b>	<b>6,189,813</b>	<b>81,565</b>	<b>14,042,920</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**9. INVESTMENTS IN JOINT VENTURES**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
At 1 January	1,330,584	703,379
Investment during the year	10,771	652,811
Transfer to investment in associates (Note 8)	(290,770)	-
Share of profit/(loss)	17,278	(25,606)
Other equity movements	810	-
<b>At 31 December</b>	<b>1,068,673</b>	<b>1,330,584</b>

**Commitments and contingencies**

Group share of joint ventures' commitments	265,606	856,086
Group share of joint ventures' contingent liabilities	-	18,786

At 31 December 2009, investment in joint ventures includes intangible assets of AED 114,415,000 (2008: AED 114,415,000).

*Dubai Mercantile Exchange ("DME")*

The Group has not recognised losses amounting to AED 13,897,000 (2008: AED 32,824,000) for Dubai Mercantile Exchange Holding Limited. The accumulated losses as at 31 December 2009 that exceed carrying value is AED 46,721,000 (2008: AED 32,824,000).

*Career Junction Middle East FZ LLC ("CJME")*

The Group owns a 51% equity stake in CJME, an entity incorporated in UAE. The other party to the joint venture is Career Junction South Africa. CJME is an online recruitment portal, which is subject to joint control, and is accounted for using the equity method of accounting.

During the year, the share of loss from CJME is AED 2,621,000 (2008: AED 2,290,000). The accumulated losses as at 31 December 2009 that exceed carrying value is AED 4,988,000 (2008: AED 2,367,000). This amount has been classified under other liabilities as the Group has legal obligations to make payments on behalf of the joint venture.

*Emirates Central Cooling System Corporation ("EMPOWER")*

The principal activity of EMPOWER, an entity incorporated in UAE, is the production and distribution of cooling water for air conditioning to commercial, residential and industrial units. The other party to the joint venture is the Dubai Electricity and Water Authority (DEWA). At 1 January 2009, EMPOWER was jointly and equally owned by DEWA and TECOM Investments LLC. Following a decree issued by the Ruler's Court on 23 November 2009, allowing DEWA to increase its shareholding to 70% interest in EMPOWER, DEWA has contributed AED 175 million to raise its share at 31 December 2009 to 62% and diluted TECOM investment's interest by 12% to stand at 38%. The investment is now classified as an investment in associate (Note 8), as the Group retains significant influence over its operations. Fair valuation exercise of EMPOWER is not yet finalised due to the timing of the transaction being close to year end. Preliminary fair value estimate based on comparable EBITDA multiples indicate that carrying value of EMPOWER approximates its fair value on which the remaining stake holding of 30% is determined. The Group will recognise adjustments, if any, once formal fair valuation exercise is concluded.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**9. INVESTMENTS IN JOINT VENTURES** (continued)

*Madamobil Holdings Mauritius Limited (“MHML”)*

During 2008 the Group entered into a joint venture arrangement with MHML, an entity incorporated in Mauritius and subject to joint control with LTME Mauritius. The Group paid AED 145,570,000 for the arrangement and holds a 44% stake in MHML. MHML is a special purpose vehicle holding 84% of the shares of Madamobil SA, an entity incorporated in Madagascar, that holds a telecommunication licence. The Group’s share in the fair value of the licence amounts to AED 116,106,000.

*Arady Developments LLC*

Arady Developments LLC was incorporated on 14 June 2005 in the Emirate of Dubai, United Arab Emirates. The primary activities of Arady Developments LLC are a) a real estate agent; b) real estate brokers; and c) a provider of real estate management services.

During 2009, no further capital contribution was made (2008: AED 459,465,000) towards capital work in progress and purchase of land in the joint venture. The joint venture is currently constructing a mixed-use development in Dubai International Financial Centre (“DIFC”) which is expected to be completed during 2010.

*Emaar Bawadi LLC*

During 2007, the Group transferred land to a joint venture in exchange for a 50% equity interest. The land was fair valued at the date of contribution at AED 447,574,000. The Group has recognised in the consolidated statement of income, AED 222,119,000 representing the portion of the gain attributable to the Group’s share in the joint venture. The unrealised gain on the land contributed to the joint venture has been eliminated against the underlying investment in the joint venture.

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 9 INVESTMENTS IN JOINT VENTURES (continued)

Summarised financial information relating to the Group's share of its joint ventures is as follows:

Name	Nature of business	Country of incorporation	% interest held	Assets AED'000	Liabilities AED'000	Revenues AED'000	Profit/ (loss) AED'000
<b>2009</b>							
Dubai Mercantile Exchange Holding Limited	Operates physical commodities derivative exchange	Bermuda	50	7,247	53,969	4,384	(13,897)
Emaar Bawadi LLC	Real estate development	UAE	50	855,044	661,685	368	(7,217)
Arady Developments LLC	Real estate development	UAE	50	856,853	119,793	-	-
Emirates Central Cooling Systems Corporation	District cooling services	UAE	50*	-	-	178,035	30,054
Career Junction Middle East	Online recruitment portal	UAE	51	-	4,988	332	(2,621)
Madamobil Holdings Mauritius Limited	Telecommunications	Mauritius	44	34,929	13,551	-	(5,559)
Tatweer Events	Leisure and entertainment	UAE	49.8	3,764	2,993	-	-
<b>Total</b>				<b>1,757,837</b>	<b>856,979</b>	<b>183,119</b>	<b>760</b>

\* During the year, The Group share in Empower was diluted to 30% and the the investment was re-classified as an investment in associate (Note 8).

#### 2008

Dubai Mercantile Exchange Holding Limited	Operates physical commodities derivative exchange	Bermuda	50	77,830	110,654	4,742	(35,237)
Emaar Bawadi LLC	Real estate development	UAE	50	607,446	407,640	-	(28,149)
Arady Developments LLC	Real estate development	UAE	50	805,771	68,709	-	-
Emirates Central Cooling Systems Corporation	District cooling services	UAE	50	1,097,075	847,170	107,445	7,486
Career Junction Middle East	Online recruitment portal	UAE	51	536	2,932	159	(2,290)
Madamobil Holdings Mauritius Limited	Telecommunications	Mauritius	44	29,631	1,003	-	(2,525)
Tatweer Events	Leisure and entertainment	UAE	49.8	3,762	2,992	-	(5)
<b>Total</b>				<b>2,622,051</b>	<b>1,441,100</b>	<b>112,346</b>	<b>(60,720)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**10. FINANCIAL INSTRUMENTS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

Assets	Loans and receivables AED'000	Assets at fair value through profit and loss AED'000	Derivatives used for hedging AED'000	Available- for-sale AED'000	Total AED'000
<b>At 31 December 2009</b>					
Available-for-sale financial assets (Note 12)	-	-	-	201,909	201,909
Derivative financial instruments (Note 13)	-	733,688	-	-	733,688
Trade and other receivables excluding advances to suppliers and prepayments (Note 15)	2,206,531	-	-	-	2,206,531
Loans receivable (Note 16)	36,238	-	-	-	36,238
Due from related parties (Note 20)	4,136,842	-	-	-	4,136,842
Cash and bank balances (Note 21)	1,706,485	-	-	-	1,706,485
	8,086,096	733,688	-	201,909	9,021,693

<b>At 31 December 2008</b>					
Available-for-sale financial assets (Note 12)	-	-	-	1,807,750	1,807,750
Derivative financial instruments (Note 13)	-	630,309	-	-	630,309
Trade and other receivables excluding advances to suppliers and prepayments (Note 15)	3,329,206	-	-	-	3,329,206
Loans receivable (Note 16)	37,689	-	-	-	37,689
Due from related parties (Note 20)	4,100,548	-	-	-	4,100,548
Cash and bank balances (Note 21)	2,316,766	-	-	-	2,316,766
	9,784,209	630,309	-	1,807,750	12,222,268

Liabilities	Liabilities at fair value through profit and loss AED'000	Derivatives used for hedging AED'000	Other financial liabilities AED'000	Total AED'000
<b>At 31 December 2009</b>				
Borrowings (Note 28)	-	-	15,199,102	15,199,102
Trade and other payables excluding deferred revenue (Note 32)	-	-	14,911,573	14,911,573
Loans from related parties (Note 20)	-	-	2,801,866	2,801,866
Derivative financial instruments (Note 13)	1,951,673	13,110	-	1,964,783
Due to related parties (Note 20)	-	-	481,010	481,010
	1,951,673	13,110	33,393,551	35,358,334

<b>At 31 December 2008</b>				
Borrowings (Note 28)	-	-	16,348,616	16,348,616
Trade and other payables excluding deferred revenue (Note 32)	-	-	14,888,757	14,888,757
Derivative financial instruments (Note 13)	1,816,384	12,020	-	1,828,404
Loans from related parties (Note 20)	-	-	517,263	517,263
Due to related parties (Note 20)	-	-	958,454	958,454
	1,816,384	12,020	32,713,090	34,541,494

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2009** (continued)

**11. FINANCIAL ASSETS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<i>Current</i>		
Available-for-sale financial assets (Note 12)	46,068	45,163
Derivative financial instruments (Note 13)	3,465	2,412
	<b>49,533</b>	<b>47,575</b>
<i>Non-current</i>		
Available-for-sale financial assets (Note 12)	155,841	1,762,587
Derivative financial instruments (Note 13)	730,223	627,897
	<b>886,064</b>	<b>2,390,484</b>

**12. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

At 1 January	1,807,750	3,194,088
Additions during the year	5,281	2,064,663
Disposals during the year	(184,765)	(691,042)
Impairment (Note 40)	(1,464,264)	-
Change in fair value for the year	34,244	(2,758,048)
Transfer from assets classified as held-for-sale	3,571	-
Exchange differences	92	(1,911)
<b>At 31 December</b>	<b>201,909</b>	<b>1,807,750</b>
<b>Less: Current</b>	<b>(46,068)</b>	<b>(45,163)</b>
<b>Non-Current</b>	<b>155,841</b>	<b>1,762,587</b>

The brought forward balance at 1 January 2009 includes AED 1,452,393,000 (2008: AED 1,898,751,000) which represents an investment in a fund managed by Dubai Investment Group LLC, a related party. The return on this investment is linked to the performance of the fund. In 2008 a fair value loss of AED 1,945,339,000 was included in the total net change in fair value amounting to AED 2,761,018,000 which was recognised directly in equity through a fair value reserve, of this AED 1,342,605,000 was recycled from the fair value reserve to the consolidated statement of income, as impairment. In 2009, the performance of the fund has continued to decline resulting in a further impairment of AED 1,452,393,000 which is charged directly to the consolidated statement of income.

The brought forward balance at 1 January 2009 also includes AED 28,959,000 (2008: AED 52,694,000) which represents an investment in "Global Strategies Equities Fund", a fund managed by Dubai International Capital LLC, a related party. The fund is under liquidation, as a result AED 42,869,000 (2008: AED Nil) was received during the year and AED 164,000 was recognised as loss on disposal. An impairment of AED 10,371,000 (2008: AED 125,750,000) has been recognised in the consolidated statement of income.

During the year, the Group disposed of its investment of AED 137,267,000 in "DreamWorks Animation SKG, Inc", a public equity company, registered under the US Company's law. The Group realised loss of AED 17,318,000 on such disposal. Other investments amounted to AED 4,630,000.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**12. AVAILABLE-FOR-SALE FINANCIAL ASSETS** (continued)

Available-for-sale financial assets include the following:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Unlisted equity funds	6,531	1,560,428
Public equities	146,117	247,322
Listed funds	3,193	-
Unlisted funds	46,068	-
	<hr/>	<hr/>
	201,909	1,807,750

Available-for-sale financial assets are denominated in the following currencies:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
US Dollar	196,863	1,803,813
Euro	3,193	-
UAE Dirham	1,853	3,937
	<hr/>	<hr/>
	201,909	1,807,750

The fair value of the unlisted equity funds are based on the latest valuations as of 31 December 2009 provided by the fund managers. The fair values of listed securities are based on the bid-prices at year-end.

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 13. DERIVATIVE FINANCIAL INSTRUMENTS

	Contracts amount		2009		2008	
	millions		Assets	Liabilities	Assets	Liabilities
	2009	2008	AED'000	AED'000	AED'000	AED'000
<b>Derivatives</b>						
Foreign currency forwards	EUR	25	25			
	USD	-	227	2,855	-	15,816
Cross currency swap						
	Pay	CHF	339	339		
		EUR	1,024	1,024		
	Receive	USD	1,575	1,575	-	1,300,154
						955,034
	Pay	USD	2,196	2,196		
	Receive	CHF	250	250		
		EUR	750	750		
		GBP	500	500	725,436	329,178
					606,488	508,210
Interest rate swap contracts	USD	630	865	847	322,341	5,593
Equity call option				3,940	-	-
Structured equity option				610	-	2,412
<b>Designated as cash flow hedges</b>						
Interest rate swap contracts						
	USD	50	83			
	AED	280	142	-	13,110	-
						12,020
<b>Total</b>				<b>733,688</b>	<b>1,964,783</b>	<b>630,309</b>
<b>Less: Current</b>				<b>(3,465)</b>	<b>(21,942)</b>	<b>(2,412)</b>
<b>Non-current</b>				<b>730,223</b>	<b>1,942,841</b>	<b>627,897</b>

The Group uses cross currency and interest rate swaps to minimise the effect of currency and interest rate fluctuations on its foreign investments and borrowings.

The contracts entered into by the Group are principally denominated in GBP, USD, EUR, AED and CHF. The fair value of these contracts is recorded in the consolidated balance sheet and is determined by reference to valuations by external parties, who are reputable financial institutions.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**13. DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

(a) *Cross-currency swap contracts*

Cross currency swaps are a commitment to exchange one set of cash flows for another where each leg of the swap is denominated in a different currency. A cross currency swap therefore has two principal amounts, one for each currency. The swaps will expire in July 2011, January 2014 and February 2017. The interest rate on the Swiss Franc ranges from 2.98% to 5.25% per annum (2008: 2.98% to 5.25%), the interest rate on the British Pound is 6% (2008: 6%) per annum and the interest rate on the Euro ranges between 4.11% and 4.75% (2008: 3.67% and 4.75%) per annum. Changes in the fair market value of the derivatives are recorded in the consolidated statement of income.

(b) *Interest rate swap contracts*

Interest rate swaps are commitments to exchange one set of cash flows for another. The swaps result in an economic exchange of interest rates, no exchange of principal takes place. These swap transactions entitle the Group to receive or pay amounts derived from interest rate differentials between an agreed fixed interest rate and the applicable floating rate prevailing at the beginning of each interest period.

At 31 December 2009, the fixed interest rates vary from 3% to 4.10% per annum (2008: 3% to 4.62%). The main floating rates are linked to LIBOR

Interest rate swaps contracts which are designated as hedging instruments and qualify as cash flow hedges consist of three contracts that will expire in 2010, 2011, 2013 and 2015. Changes in the fair market value that are considered effective are recognised in the hedging reserve in equity. There was no ineffectiveness to be recorded from cash flow hedges.

Changes in the fair market values of other interest rate swaps which have not been designated and do not qualify as cash flow hedges are recorded in the consolidated statement of income.

**14. TRADE AND OTHER RECEIVABLES**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<i>Current</i>		
Trade receivables, advances and prepayments (Note 15)	4,329,623	6,516,818
Accrued income	429,584	-
Loans receivable (Note 16)	6,372	3,275
Finance lease – net receivables (Note 17)	8,579	8,424
	<b>4,774,158</b>	<b>6,528,517</b>
<i>Non-current</i>		
Trade receivables, advances and other receivables (Note 15)	1,384,057	2,184,541
Accrued income	888,935	953,252
Loans receivable (Note 16)	29,866	34,414
Finance lease – net receivables (Note 17)	86,995	94,529
	<b>2,389,853</b>	<b>3,266,736</b>
Less: provision for impairment of accrued income	(364,645)	-
	<b>2,025,208</b>	<b>3,266,736</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**15. TRADE RECEIVABLES, ADVANCES AND PREPAYMENTS**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<i>Current</i>		
Trade receivables	2,021,099	2,539,508
Less: provision for impairment of receivables	(792,226)	(257,521)
	1,228,873	2,281,987
Advances to suppliers	2,215,908	3,143,542
Prepayments	158,402	432,196
Other receivables	726,440	659,093
	4,329,623	6,516,818
<i>Non-current</i>		
Trade receivables	592,211	44,798
Less: provision for impairment of receivables	(420,485)	-
	171,726	44,798
Advances to suppliers	1,132,839	1,796,415
Other receivables	79,492	343,328
	1,384,057	2,184,541

The Group has a broad base of customers with no concentration of credit risk within trade receivables at 31 December 2009 and 2008.

As at 31 December 2009, trade receivables of AED 797,515,000 (2008: AED 1,937,335,000) were fully performing.

As of 31 December 2009, trade receivables of AED 603,084,000 (2008: AED 389,450,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Up to 3 months	201,574	208,763
3 to 6 months	105,998	95,631
Over 6 months	295,512	85,056
	603,084	389,450

As of 31 December 2009, trade receivables of AED 792,226,000 (2008: AED 257,521,000) were impaired and partially provided for. The amount of the provision was AED 792,226,000 as of 31 December 2009 (2008: AED 257,521,000). The ageing analysis of these trade receivables is as follows:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Up to 6 months	374,910	1,536
Over 6 months	837,801	255,985
	1,212,711	257,521

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**15. TRADE RECEIVABLES, ADVANCES AND PREPAYMENTS** (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
UAE Dirham	2,438,342	2,384,923
US Dollar	3,187	4,815
Euro	170,149	191,838
Jordanian Dinar	356	-
Others	1,276	2,730
	<b>2,613,310</b>	<b>2,584,306</b>

Movement on the Group's provision for impairment of trade receivables is as follows:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
At 1 January	257,521	196,575
Provision for impairment of receivables	995,805	115,532
Receivables written-off	(21,667)	(53,573)
Unused amounts reversed	(198)	(1,871)
Transfer to assets classified as held-for-sale	(19,181)	-
Exchange difference	431	858
	<b>1,212,711</b>	<b>257,521</b>

The creation and release of the provision for impaired receivables have been included in the consolidated statement of income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group does not hold any collateral as security.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**16. LOANS RECEIVABLE**

	<b>2009</b>	2008
	<b>AED'000</b>	AED'000
Loan receivable	36,238	37,689
Less: current	(6,372)	(3,275)
<b>Non-current</b>	<b>29,866</b>	<b>34,414</b>

In 2003, the Group extended a loan facility to a tenant for AED 19.5 million to construct a building. The loan is interest bearing at 3-month LIBOR + 1.5%, repayable over 40 quarterly instalments which commenced on 30 June 2004. The Group holds the building as collateral against this loan.

During 2008 the Group extended a loan facility to a tenant for AED 24,609,000 to partially fund the start-up, operating and facilities costs. Under this facility, an amount of AED 11,754,000 is non-interest bearing and is repayable over 3 annual instalments commencing from 2010, and the balance of AED 12,855,000 is interest bearing at 3 month LIBOR + 0.7%, repayable over 40 quarterly instalments commencing from 2009. As at 31 December 2008, the amount drawn down from total facility is AED 17,408,000.

The fair value of the loans receivable is based on cash flows discounted using a rate based on the borrowing rate. The discount rate equals to LIBOR plus an appropriate credit rating adjustment. The fair value of loans receivable approximates the carrying amount.

The maximum exposure to credit risk at the reporting date is the fair value of the loan receivable.

There has been no history of default and there are no past due instalments. Management considers that no impairment provision is required for these loans.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**17. FINANCE LEASE RECEIVABLES**

Finance lease receivables relate to land and buildings leases with an option given to investors to buy the properties at the end of the lease period. The lease periods vary between 30 and 50 years. The leases carry interest linked to LIBOR.

	<b>2009</b> <b>AED'000</b>	<b>2008</b> <b>AED'000</b>
At 1 January	102,953	109,801
Additions	490	875
Repayments	(7,959)	(7,549)
Exchange differences	90	(174)
At 31 December	95,574	102,953
Less: Current	(8,579)	(8,424)
Non-current	86,995	94,529

A summary of the gross repayment schedule for the finance lease receivables is presented below:

	<b>2009</b> <b>AED'000</b>	<b>2008</b> <b>AED'000</b>
Within one year	12,375	12,021
After one year but not more than five years	47,322	42,402
More than five years	59,283	74,408
	118,980	128,831
Unearned future finance income on finance leases	(23,406)	(25,878)
Net investment in finance leases	95,574	102,953

The net investment in finance leases is analysed as follows:

Within one year	8,579	8,424
After one year but not more than five years	35,703	30,663
More than five years	51,292	63,866
Net investment in finance leases	95,574	102,953

The fair value of finance lease receivables approximates its carrying value. There has been no history of default and there are no past due instalments. Management consider that no impairment provision is required for these receivables.

**18. INVENTORIES**

	<b>2009</b> <b>AED'000</b>	<b>2008</b> <b>AED'000</b>
Raw materials	-	43,987
Goods held for sale	16,433	22,607
Operating supplies	33,481	35,473
Food and beverage	24,469	22,337
Engineering supplies	18,979	5,940
	93,362	130,344
Less: write down of inventory	(4,471)	(3,024)
	88,891	127,320

The cost of inventory recognised as expense and included in cost of sales amounted to AED 347,441,000 (2008: AED 382,418,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**19. PROPERTY HELD FOR DEVELOPMENT AND SALE**

	Note	Land AED'000	Work-in- progress AED'000	Total AED'000
At 1 January 2008		16,756,857	4,873,216	21,630,073
Additions		4,943	5,649,308	5,654,251
Transfer from investment property	6	3,453	-	3,453
Transfers to investment property	6	(1,386,958)	(462,644)	(1,849,602)
Transfers from property, plant and equipment	5	11,174,977	2,085,889	13,260,866
Transfer to property, plant and equipment	5	(531,584)	(1,051,940)	(1,583,524)
Transfer from assets classified as held-for-sale		58,239	-	58,239
Write-off		-	(78,182)	(78,182)
Other transfers		3,831	(3,831)	-
Impairment		-	(1,736,617)	(1,736,617)
Sales		(2,550,899)	(341,102)	(2,892,001)
At 31 December 2008		23,532,859	8,934,097	32,466,956
Additions		-	2,433,278	2,433,278
Transfer from investment property	6	1,127,862	2,042,827	3,170,689
Transfers to investment property	6	(13,187)	(294,217)	(307,404)
Transfers from property, plant and equipment	5	33,729	6,381,184	6,414,913
Transfer to property, plant and equipment	5	(6,722)	(37,698)	(44,420)
Impairment		(4,857,876)	(4,111,208)	(8,969,084)
Sales		(1,487,857)	(952,371)	(2,440,228)
Exchange difference		1,777	62	1,839
At 31 December 2009		18,330,585	14,395,954	32,726,539

At 31 December 2009, management performed an impairment review of property held for development and sale due to the effect of the overall downturn in global market conditions and the uncertainty associated with the future use of the assets. This review resulted in an impairment loss and write-off of projects and land amounting to AED 8,969,084,000 (2008: AED 1,736,617,000) of this impairment loss of AED 4,634,455,000 (2008: AED nil) has been adjusted against deferred government grants and AED 4,334,629,000 (2008: AED 1,736,617,000) has been charged to the consolidated statement of income in 'Other operating expenses' (Note 40) since the related grants had been released in the prior years.

**20. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties include the shareholders, key management personnel, associates, joint ventures, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence.

**(a) Related party transactions**

During the year, the Group entered into the following significant transactions with related parties:

	2009 AED'000	2008 AED'000
<b>Parent company</b>		
Interest expense	99,037	78,294
Interest income	16,792	72,715
Dividend declared (Note 34)	-	1,543,813

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**20. RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

**(a) Related party transactions** (continued)

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Other related parties</b>		
Management fee expense	24,418	26,530
Impairment of available-for-sale financial assets (Note 12)	1,457,506	1,468,355
Fair value loss on available-for-sale financial assets (Note 12)	1,463,783	1,991,620
Available-for-sale financial assets made during the year (Note 12)	-	1,500,000
Interest income	54,070	31,152
Interest expense	33,618	17,280
Disposal of aircraft	124,760	-
<b>Joint ventures and associates</b>		
Project management fee income	3,366	13,000
Real estate revenue	67,766	38,483
Leasing expense	23,673	11,118
Operations and maintenance expenses	49,081	22,726
Dividends received	192,269	218,336
Write-off of receivable balances	-	187,267

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**20. RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>(b) Remuneration of key management personnel</b>		
Compensation to key management personnel comprises:		
- Salaries and other short term employee benefits	135,571	158,511
- Termination and post employment benefits	9,360	10,021
	<b>144,931</b>	<b>168,532</b>
<b>(c) Due from related parties comprises:</b>		
Due from the parent company	2,696,507	1,280,379
Due from joint ventures	138,583	142,064
Due from other related parties	166,603	171,035
Due from associates	122,734	38,597
	<b>3,124,427</b>	<b>1,632,075</b>
Loans to the parent company	988,215	1,504,323
Loan to an associate	49,400	365,874
Loans to other related parties	771,580	598,276
	<b>4,933,622</b>	<b>4,100,548</b>
Less: provision for impairment of related party receivables	(796,780)	-
	<b>4,136,842</b>	<b>4,100,548</b>

Loans to the parent company, an associate and other related parties are short-term loans which are due to be repaid within twelve months of the balance sheet date. The interest rate charged on loans to related parties during the year ranged between 0.28% and 3% (2008: 3.3% and 7.5%) per annum. Balances due from related parties, including loans receivable are all denominated in AED

As of 31 December 2009, Due from related parties of AED 796,780,000 (2008: Nil) were impaired and fully provided for.

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>(d) Due to related parties comprises:</b>		
Due to the parent company	335,326	326,301
Due to other related parties	105,335	622,963
Due to joint ventures	40,349	9,190
	<b>481,010</b>	<b>958,454</b>
Loans from related parties (see below)	2,801,866	517,263
	<b>3,282,876</b>	<b>1,475,717</b>
Analysed between:		
Current	1,775,498	1,475,717
Non-current	1,507,378	-
	<b>3,282,876</b>	<b>1,475,717</b>
The movement in loans from related parties is as follows:		
Balance at 1 January	517,263	1,833,477
Additional loan during the year	2,716,547	-
Loan converted to equity	(431,944)	-
Repayment of loan principal	-	(1,316,214)
Balance at 31 December	<b>2,801,866</b>	<b>517,263</b>
The maturity of loans from related parties is as follows:		
Due within one year	1,294,488	517,263
Due 1 – 3 years	1,507,378	-
	<b>2,801,866</b>	<b>517,263</b>

The effective interest charged on loans from related parties ranged from 0.7% to 8.9% per annum (2008: 3% to 8.6%).

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 21. CASH AND CASH EQUIVALENTS

	2009 AED'000	2008 AED'000
Cash and bank balances including call deposits	1,651,914	1,261,550
Short-term fixed deposits	54,571	1,055,216
	<u>1,706,485</u>	<u>2,316,766</u>

Cash, cash equivalents and bank overdrafts include the following for the purposes of the consolidated statement of cash flows:

	2009 AED'000	2008 AED'000
Cash and cash equivalents	1,706,485	2,316,766
Bank overdrafts (Note 28)	(223,793)	(1,223,856)
	<u>1,482,692</u>	<u>1,092,910</u>

Bank accounts are held with locally incorporated banks and branches of international banks. Short-term fixed and call deposits bear interest ranging from 0.1% to 6.75% per annum (2008: 1.5% to 7.5% per annum).

#### 22. ASSETS CLASSIFIED AS HELD-FOR-SALE

	2009 AED'000	2008 AED'000
<i>a) Assets classified as held-fo- sale</i>		
Accrued Income	859	-
Cash and cash equivalents	5	-
Intangible Assets	68	-
Property ,plant and equipment	150	-
Trade and other receivables	14,373	-
Building and infrastructure held for sale	-	1,382
Investment in an associate	-	3,571
	<u>15,455</u>	<u>4,953</u>
<i>b) Liabilities classified as s held-for-sale</i>		
Liabilities of disposal group classified as held-for-sale	(2,348)	-

#### *Sale of subsidiary*

The assets and liabilities relating to a subsidiary of the group have been presented as disposal group held-for-sale. The Group has formally entered into agreements on 7 September 2009 to sell the company. The sale is expected to be completed within one year.

#### *Investment in an associate*

Although the Group is committed to sell these assets, it does not expect to dispose of these within twelve months due to market conditions. The Group lost significant influence over the associate and accordingly transferred the investment to available-for-sale financial assets (Note 10).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2009** (continued)

**22. ASSETS CLASSIFIED AS HELD-FOR-SALE**

*c) Discontinued operations*

During the year, the Government of Dubai issued two decrees issued on 3 September 2009 and 11 October 2009 for the transfer of assets, liabilities and businesses of certain subsidiaries of Arab Media Group namely Masar Printing and Publishing LLC, Awraq LLC, Tawseel Distribution and Logistics LLC, Al Bayan Printing Establishment, Arabian Television Network FZ LLC to Dubai Media Incorporated (“DMI”). The transfer was completed on 30 September 2009, on which date control of the same passed to DMI.

The combined results of these subsidiaries as included in the consolidated statement of income are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

<b>Details of assets and liabilities transferred</b>	<b>2009 AED 000</b>
<b>Current assets</b>	
Cash and cash equivalents	505
Trade receivables	40,320
Inventories	24,139
Others	8,896
<b>Non Current assets</b>	
Property, plant and equipment	476,048
Intangibles	432
Investment property	12,943
Investment in subsidiary	50
<b>Current liabilities</b>	
Trade and other payables	(57,147)
Borrowings	(48,610)
<b>Non current liabilities</b>	
Borrowings and other liabilities	(37,091)

<b>Profit/(loss) for the year from discontinued operations</b>	<b>9 months ended 30 September 2009 AED 000</b>	<b>Year ended 31 December 2008 AED 000</b>
Revenue	150,321	355,967
Expenses	(266,429)	(397,843)
<b>Loss for the year from discontinued operations</b>	<b>(116,108)</b>	<b>(41,876)</b>
<b>Cash flows from discontinued operations</b>		
Net cash flows from operating activities	(16,695)	93,135
Net cash flows from investing activities	(39,086)	(230,238)
Net cash flows from financing activities	13,249	140,391
<b>Net cash flows from discontinued operations</b>	<b>(42,532)</b>	<b>3,288</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**23. SHARE CAPITAL**

The total authorised and issued share capital of the Company comprises 2,000,000 shares (2008: 2,000,000 shares) of AED 1,000 each.

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>24. CONTRIBUTED CAPITAL</b>		
At 1 January	887,148	2,855,409
Converted to share capital	-	(1,999,700)
Additional contribution during the year	-	31,439
At 31 December	887,148	887,148

**25. RESERVES**

Statutory reserve (Note 26)	777,172	554,638
Translation reserve (Note 27)	212,911	219,114
Fair value reserve	35,929	347
Hedge reserve	(10,544)	(14,639)
Other reserve	3,576,438	3,474,708
	4,591,906	4,234,168

During 2006, the ultimate shareholder's investment in subsidiaries of Jumeirah Group LLC, in the form of owner's accounts amounting to AED 3,475,913,000 was transferred to the Company. This is included under "Other reserve". Further in 2009 AED 92,753,000 has been recognised in other reserves as a result of the finalisation of the total cost of the resort of Madinat Jumeirah LLC which was part of the assets transferred in 2006 based on preliminary assessment.

**26. STATUTORY RESERVE**

In accordance with the Articles of Association, 10% of the profit for the year in each UAE limited liability registered company is transferred to a statutory reserve, which is not 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 respective companies.

**27. TRANSLATION RESERVE**

The translation reserve arises on re-translation of the assets and liabilities of foreign subsidiaries, associates and joint ventures of the Group. Upon disposal of such subsidiaries, associates and joint ventures the reserve will be included within the gain or loss on disposal in the consolidated statement of income.

**28. BORROWINGS**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Bank overdrafts (Note 21)	223,793	1,223,856
Bank borrowings	4,944,627	5,523,315
European medium term notes	10,030,682	9,601,445
	15,199,102	16,348,616
Less: current	(3,118,071)	(5,500,014)
Non-current	12,081,031	10,848,602

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

#### 28. BORROWINGS (continued)

The Group has not had any defaults of principle, interest or redemption amounts during the year on its borrowed funds (2008: Nil).

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet date is as follows:

	2009 AED'000	2008 AED'000
Within 3 months	6,731,124	5,261,513
After three months but not more than one year	194,458	2,957,098
After one year but not more than 5 years	371,183	732,675
Borrowings at fixed rate	7,902,337	7,397,330
	15,199,102	16,348,616

The maturity profile of the Group's total borrowings is as follows:

Within 1 year	3,118,071	5,500,014
After one year but not more than five years	8,927,411	7,908,763
More than five years	3,153,620	2,939,839
	15,199,102	16,348,616

The fair value of current and short-term borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of the term notes are based on quoted market rates.

	Carrying amount		Fair value	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Bank overdrafts (Note 21)	223,793	1,223,856	223,793	1,223,856
Bank borrowings	4,944,627	5,523,315	4,944,627	5,523,315
European medium term notes	10,030,682	9,601,445	7,268,168	6,264,721
	15,199,102	16,348,616	12,436,588	13,011,892

The carrying amounts of the borrowings are denominated in the following currencies:

	2009 AED'000	2008 AED'000
UAE Dirham	2,196,432	1,520,965
US Dollar	4,402,550	6,752,023
British Pound	2,949,062	2,686,065
Euro	4,359,502	4,122,452
Swiss franc	893,605	860,675
Japanese Yen	396,984	405,400
Others	967	1,036
	15,199,102	16,348,616

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**28. BORROWINGS** (continued)

Interest rates on the above borrowings ranged from 0.66% to 10% (2007: 2.68% to 6.0%) per annum.

The nature of securities provided in respect of bank borrowings by the Group includes the following:

- Certain current assets including receivables of a subsidiary,
- Promissory note of AED 50 million and counter indemnity,
- Certain assets of a subsidiary amounting to AED 3,708,430,000 (2008: AED 1,314,148,000) shall not be disposed all or part without the consent of the lenders.

Certain borrowings are also subject to financial covenants on:

- the sum of tangible net worth and deferred government grant,
- total net external liabilities to sum of consolidated tangible net worth and consolidated deferred government grant, and
- ratio of earnings before interest and tax to finance costs at the end of each measurement period.

The Group's source of debt at 31 December 2009 included a three years revolving syndicated bank loan ("the Facility") and a bilateral loan ("the Loan"). Both loans are obtained for general corporate purposes.

The Facility was entered into with a group of four banks in June 2007 for an amount of USD 1 billion and renewed in July 2009 with a group of three banks for an amount of USD 555 million and was fully drawn down. The Loan was entered into with a bank in February 2009 for an amount of USD 200 million of which the outstanding amount was USD 100 million.

Both the Facility and the Loan are unsecured and are subject to three financial covenants which are tested annually based on the latest audited consolidated financial statements. The Group informed its bankers that it had failed to meet two of these covenants with respect to the test for the year ended 31 December 2009. The bankers have subsequently waived all rights in relation to the breach.

Both the Facility and the Loan are classified as current liabilities as their maturities fall in 2010.

*European medium term notes*

	<b>Interest rate (%)</b>	<b>2009 AED'000</b>	<b>2008 AED'000</b>
Euro 750 million fixed rate due in 2014	4.75%	3,957,562	3,850,590
Pounds Sterling 500 million fixed rate due in 2017	6%	2,949,062	2,686,065
US Dollars 500 million floating rate due in 2012	3M US Libor + 37.5 BP	1,833,470	1,836,500
CHF 250 million fixed rate due in 2011	5.25%	893,605	860,675
JPY 10 billion floating rate due in 2013	3M YEN Libor + 1.75%	396,983	367,615
<b>Non-current</b>		<b>10,030,682</b>	<b>9,601,445</b>

Floating rate notes bear interest at rates fixed in advance for a period of three months. The Group's dated senior notes are repayable only on maturity. None of the Group's senior notes are secured.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2009 (continued)

**29. GOVERNMENT GRANTS**

(a) Land

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
At 1 January	63,904,548	58,012,281
Transferred to related parties	-	(1,532)
Returned to the Government of Dubai (Notes 6)	(363,243)	(409,036)
Received during the year	302,375	23,671,894
Released to income during the year	(672,036)	(13,669,059)
Adjustment relating to impairment	(24,930,883)	(3,700,000)
At 31 December	38,240,761	63,904,548
Less: current portion	(1,402,254)	(1,858,180)
Non-current portion	36,838,507	62,046,368

\* Land impaired where the relating government grant has not been released to the statements of income, adjusted against the deferred government grant.

(b) Other grants

During 2008, the Group was given an unconditional grant in the form of a 30% equity shareholding in Dubai Festival City LLC. The grant relating to this investment in an associate, valued at AED 5,546,602,000 was immediately released to the consolidated statement of income.

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>30. RETENTIONS PAYABLE</b>		
Retentions payable (Note 32)	1,696,386	1,701,205
Less: current portion	(1,096,170)	(657,621)
Non-current portion	600,216	1,043,584

Non-current retentions are due to be paid to contractors within 2 to 5 years from the balance sheet date. The fair value of retentions payable approximates to their carrying amounts, as the impact of discounting is not significant.

**31. EMPLOYEES' END OF SERVICE BENEFITS**

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Balance sheet obligations for:		
Pension benefits/end of service benefits	214,310	292,715
Less: current (Note 32)	(11,637)	(15,809)
Non-current	202,673	276,906

The amounts recognised in the consolidated statement of income are :

Current service cost	45,314	107,564
Past service cost	7,577	68,435
Interest cost	87	-
Effects of settlements recognised in the consolidated statement of income	(9,447)	-
Net actuarial losses recognised during the year	312	-
	<b>43,843</b>	<b>175,999</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**31. EMPLOYEES' END OF SERVICE BENEFITS** (continued)

The amounts recognised in the balance sheet are determined as follows:

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
Present value of unfunded obligations	215,014	292,715
Unrecognised past service costs	(704)	-
<b>31 December</b>	<b>214,310</b>	<b>292,715</b>

The movement in the defined benefit obligation over the year is as follows:

At 1 January	292,715	147,922
Income statement charge	43,843	175,999
Benefits paid	(93,362)	(31,538)
Transfer from parent company	3,885	-
Transfer to liabilities classified as held-for-sale	(1,191)	-
Discontinued operations	(25,542)	-
Transfers to a related party	-	(688)
Transfer to restructuring provision	(6,603)	-
Exchange differences	565	1,020
<b>31 December</b>	<b>214,310</b>	<b>292,715</b>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2009 and 2008, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE labour law and the Pension Ordinance 1937 of Malta. Under this method an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in line with the Group's salary scales, past experience and market conditions. The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.53% - 6% (2008: 4.25% - 6%).

In 2008, an independent qualified actuary carried out an exercise to assess the present value of its obligations as at 31 December 2008, in accordance with the provisions of IAS 19, using the projected unit credit method, in respect of employees' end of service benefits payable.

During 2008 GO Plc was required to set up the pension scheme in favour of ex-Cable and Wireless employees, with an effective date of 1 January 1975 and set up in a manner similar to that prescribed by the Pensions Ordinance, 1937. A pension scheme set up in accordance with this Ordinance falls under the category of a defined benefit plan within the scope of IAS 19, *Employee Benefits*.

GO Plc submitted an application to the MFSA as the pensions regulator detailing the measures planned by the Group to implement the scheme. Following the issue of the Special Funds (Regulation) Act (Retirement Schemes Exemption) Regulations, 2009 by the MFSA on 5 June 2009, GO Plc established the scheme on 1 July 2009 with effect from 1 January 1975.

In GO Plc's case, as originally provided for in the terms of employment, the amount is dependent upon an employee's final compensation upon retirement, as well as completed months of service. Furthermore, qualifying employees must have worked for GO Plc for a minimum of 10 years, and must have remained in service with GO Plc until retirement (the vesting period), in order to be unconditionally eligible to receive a pension under the scheme.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2009 (continued)

**31. EMPLOYEES' END OF SERVICE BENEFITS** (continued)

**Mortality assumptions**

Assumptions regarding future mortality experience are set based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 80 and 95 years depending on the age and gender of the beneficiaries.

**Mortality, withdrawal and retirement**

Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used as follows:

Age	Percentage of employees at each age exiting the plan per year
20 - 24	15%
25 - 29	15%
30 - 34	10%
35 - 39	10%
40 - 44	7%
45 - 49	7%
50 - 54	7%
55 - 59	7%
60	100%

**32. TRADE AND OTHER PAYABLES**

	2009 AED'000	2008 AED'000
<i>(a) Trade and other payables</i>		
Trade payables and accruals	4,927,542	4,462,365
Project related payables and accruals	6,094,530	5,734,638
Retentions payable (Note 30)	1,696,386	1,701,205
Refundable deposits	334,095	166,324
Other payables	1,859,020	2,824,225
Deferred revenue	17,139,051	14,148,254
Employees' end of service benefits (Note 31)	11,637	15,809
	32,062,261	29,052,820
Less: non-current portion	(17,434,629)	(14,798,567)
Current portion	14,627,632	14,254,253

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**32 TRADE AND OTHER PAYABLES** (continued)

(b) *Provision for other liabilities and charges*

	Delay claims	Restructuring costs AED'000	Terminated contracts AED'000	Legal claims AED'000	Total AED'000
Charged to the statement of income and balance at 31 December 2008	-	111,229	2,872,764	40,000	3,023,993
Charged/(credited) to the consolidated statement of income:					
- Additional provisions	480,957	-	846,583	327,805	1,655,345
- Unused amounts reversed	-	(21,066)	(469,152)	-	(490,218)
Payments	-	(91,829)	(44,339)	-	(136,168)
Transfer from employees end of service benefits	-	6,603	-	-	6,603
Capitalised to capital work in progress	648,997	-	-	-	648,997
Exchange differences	-	-	(372)	-	(372)
At 31 December 2009	1,129,954	4,937	3,205,484	367,805	4,708,180

	2009 AED'000	2008 AED'000
Restructuring costs	4,937	111,229
Terminated contracts	3,205,484	2,872,764
Delay claims	1,129,954	-
Legal claims	367,805	40,000
Current portion	4,708,180	3,023,993

*Restructuring costs*

The restructuring provision represents management's best estimate of the direct costs of the restructuring of the Group and are not associated with the ongoing activities of the Group

*Terminated contracts*

The provision for terminated contracts is in respect of anticipated claims and demobilisation costs as a result of the termination of contracts with builders and consultants. The provision has been determined on the basis of management's best estimate of the liability that the Group may incur upon termination of the existing contracts.

*Delay claims*

The provision relates to claims by contractors on the Group for delays that they believe have been caused by the Group. At 31 December 2009, certain contractors mainly in Jumeirah Beach Residence project, Mirdiff projects and the Executive Towers project have raised claims on the Group for delays. The provision has been determined on the basis of management's best estimate of the liability that the Group may incur on the claims.

*Legal claims*

The provision relates to certain potential legal claims. In the management's opinion, after taking appropriate legal advice, the outcome of the legal claim will not give rise to any significant loss beyond the amount provided at 31 December 2009.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**33. ADVANCES FROM CUSTOMERS**

Advances from customers represent instalments received from customers towards the purchase of property held for development and sale.

**34. DIVIDENDS**

A dividend of AED nil (2008: AED 1,543,813,000) was declared, of which AED nil (2008: AED 1,494,072,000) was paid in cash and AED nil (2008: AED 49,741,000) was dividend in kind by a transfer of land (Note 6).

**35. REVENUE**

	<b>Year ended 31 December 2009 AED'000</b>	<b>Year ended 31 December 2008 AED'000</b>
Property and land sales	3,606,760	6,194,225
Room revenue	1,039,628	1,810,097
Rental income (Note 6)	1,973,726	1,673,092
Food and beverages	958,795	1,329,247
Telecommunications, IT and related revenue	689,451	774,576
Commercial and sponsorship	230,941	292,158
Incorporation and government services	394,920	343,875
Other	605,628	802,770
	<b>9,499,849</b>	<b>13,220,040</b>

**36. OTHER OPERATING INCOME**

Land title transfer fees and late payment fees	106,388	191,413
Gain/(loss) on fair value of derivative financial instruments	36,904	(1,206,473)
Gain on sale of derivatives	36,325	154,714
Unrealised foreign exchange gain	6,337	1,045,920
Realised foreign exchange gain	5,322	53,359
Gain on disposal property, plant and equipment	-	6,041
Other income	116,251	391,975
	<b>307,527</b>	<b>636,949</b>

**37. PAYROLL AND OTHER BENEFITS**

Salaries and allowances	1,471,546	1,592,715
End-of-service benefits and other benefits	579,613	798,091
	<b>2,051,159</b>	<b>2,390,806</b>
Included under:		
General and administrative expenses (Note 38)	1,223,111	1,264,643
Direct costs	828,048	1,126,163
	<b>2,051,159</b>	<b>2,390,806</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

	Year ended 31 December 2009 AED'000	Year ended 31 December 2008 AED'000
<b>38. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Provision for impairment of trade and other receivables (Note 14,15,20)	2,157,230	115,532
Payroll and related expenses (Note 37)	1,223,111	1,264,643
Provision for legal claims	327,805	282,550
Depreciation and amortisation (Note 5,6,7)	272,969	233,561
Property operation and maintenance	213,116	237,495
Consultancy	99,972	502,719
Office rent	45,593	27,187
Management fee	25,364	26,530
Travel	14,862	37,611
Donations	-	50,010
Other expenses	318,712	260,629
	<b>4,698,734</b>	<b>3,038,467</b>

**39. MARKETING AND SELLING EXPENSES**

Advertising	83,797	379,694
Promotions	42,870	268,812
Sponsorship	5,439	46,416
Sales commissions	4,592	50,760
Others	5,253	98,034
	<b>141,951</b>	<b>843,716</b>

**40. OTHER OPERATING EXPENSES**

Impairment on investment property (Note 6)	6,888,728	-
Impairment on property held for development and sale (Note 19)	4,334,629	1,736,617
Impairment on property, plant and equipment (Note 5)	4,263,476	1,400,851
Impairment on investment in associates (Note 8)	3,388,006	2,091,001
Impairment on investment available-for-sale (Note 12)	1,464,264	2,289,801
Provision for delay claims (Note 32)	480,597	-
Foreign exchange loss	394,821	32,551
Provision for termination of contracts (Note 32)	377,431	2,872,764
Write-off of property, plant and equipment	249,965	105,473
Impairment charge on intangibles (Note 7)	70,853	28,105
Penalties for premature cancellation contract	62,446	-
Write-off of Intangibles	59,235	8,690
Loss on disposal of available for sale financial asset (Note 12)	17,482	3,775
Restructuring costs (Note 32)	(21,066)	111,229
Write-off of related parties receivables	-	187,267
Others	87,678	308,777
	<b>22,118,545</b>	<b>11,176,901</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**41. FINANCE COSTS - NET**

	Year ended 31 December 2009 AED'000	Year ended 31 December 2008 AED'000
<i>Interest expense</i>		
Interest on term notes	(438,538)	(505,175)
Other borrowings	(173,562)	(241,854)
Loans from related parties	(192,629)	(78,294)
Others	(67,707)	(57,793)
Finance costs	(872,436)	(883,116)
<i>Interest income</i>		
Term deposits	47,740	335,655
Funds advanced to related parties	74,428	72,715
<i>Other items</i>		
Interest income from available-for-sale financial assets	-	74,885
Others	54,618	13,696
Finance income	176,786	496,951
Finance costs – net	(695,650)	(386,165)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**42. TAXATION**

**42.1 Deferred income tax assets and liabilities**

The movement in deferred income tax assets and liabilities during the year is as follows:

	Balance at 1 January AED'000	Acquisition of subsidiary AED'000	(Charge)/Credit in statement of income AED'000	Recognised in other comprehensive income AED'000	Exchange differences AED'000	Balance at 31 December AED'000
<b>2009</b>						
Property, plant and equipment	(34,168)	-	6,841	-	(794)	(28,121)
Provisions	47,960	-	(11,703)	-	1,045	37,302
Losses carried forward	4,178	-	272	-	137	4,587
Capital allowances carried forward	879	-	19,461	-	734	21,074
Investment tax credit	6,324	-	4	-	193	6,521
Fair value adjustments arising from acquisitions	(101,291)	-	10,687	-	(2,619)	(93,223)
Intangible assets	-	(16,432)	2,203	-	(1,639)	(15,868)
Cash flow hedges	-	-	-	1,890	-	1,890
Other short term timing differences	(1,648)	-	194	-	(46)	(1,500)
	(77,766)	(16,432)	27,959	1,890	(2,989)	(67,338)
<b>2008</b>						
Property, plant and equipment	(36,469)	-	756	-	1,545	(34,168)
Provisions	22,133	-	28,153	-	(2,326)	47,960
Losses carried forward	6,081	-	(1,723)	-	(180)	4,178
Capital allowances carried forward	3,407	-	(2,496)	-	(32)	879
Investment tax credit	6,748	-	(130)	-	(293)	6,325
Fair value adjustments arising from acquisitions	(117,902)	-	12,099	-	4,512	(101,291)
Other short term timing differences	(538)	-	(962)	(232)	83	(1,649)
	(116,540)	-	35,697	(232)	3,309	(77,766)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 (continued)

**42. TAXATION** (continued)

**42.2 Income tax expense**

	<b>Year ended 31 December 2009 AED'000</b>	<b>Year ended 31 December 2008 AED'000</b>
Current tax	(32,939)	(44,759)
Deferred tax	27,959	35,697
	<b>(4,980)</b>	<b>(9,062)</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	<b>Year ended 31 December 2009 AED'000</b>	<b>Year ended 31 December 2008 AED'000</b>
(Loss)/Profit before tax	(23,447,057)	9,873,061
Of which profits relating to taxable jurisdictions are:	45,554	72,281
Tax calculated at domestic tax rates applicable to profits in respective countries: 35% (2008: 35%)	15,944	25,298
Release of deferred tax liability arising from acquisition	(10,687)	(12,099)
Depreciation charges not deducted by way of capital allowances in determining taxable income	1,385	-
Chargeable to tax at different rates	(1,732)	(702)
Expenses not deductible for tax purposes	378	1,940
Income not subject to tax and additional tax credits obtained	(286)	(281)
Prior period items	153	(5,363)
Other permanent differences	(175)	269
	<b>4,980</b>	<b>9,062</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**43. BUSINESS COMBINATIONS**

On 28 April 2009, the Group acquired 60% of the shares voting interests in BM IT Limited, BM Support Services Limited and Bellnet Limited (hereinafter collectively referred to as "Bell Med group") for a total cost of AED 41,678,000 including the cost of professional fees incurred in the acquisition of this investment.

The Bell Med group specialises in providing co-location, IP connectivity and bandwidth services outside Malta. It is the leading provider for such services within the Maltese market. The acquisition of a strategic shareholding in Bell Med group will enable the Group to consolidate its position in the co-location business.

The goodwill which arose due to the above acquisition was based on the carrying amounts of the consolidated balance sheet of the acquired companies as at 28 April 2009 and intangibles assets recognised at fair value, and it is considered as final.

In the eight months to 31 December 2009, Bell Med group contributed revenue of AED 30,849,126 and profit of AED 6,473,310. If the acquisition had occurred on 1 January 2009, management estimates that revenue would have been AED 44,416,095 and profit for the period would have been AED 8,598,124.

Details of net assets acquired and goodwill are as follows:

	<b>AED'000</b>
Total purchase consideration	41,678
Less:	
Fair value of net assets acquired	(27,931)
Goodwill (Note: 7 )	13,747

The assets and liabilities as of acquisition date are as follows:

	<b>Fair value AED'000</b>	<b>Acquiree's carrying amount AED'000</b>
Property, plant and equipment	16,096	16,096
Customer relationships	41,400	-
Trade name	5,469	-
Trade and other receivables	8,393	8,393
Cash and cash equivalents	7,717	7,717
Current liabilities	(16,031)	(16,100)
Deferred tax liabilities	(16,432)	(77)
Net assets	<b>46,612</b>	<b>16,029</b>
Less: Minority interest (40%)	(18,681)	-
Net assets acquired	<b>27,931</b>	<b>16,029</b>
Purchase consideration settled in cash		41,678
Less: Cash and cash equivalents in subsidiary		(7,717)
Net cash outflow on acquisition		<b>33,961</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2009 (continued)

**44. COMMITMENTS**

(a) *Investment commitments*

As at 31 December 2009, the Group had commitments to invest in private equity funds of AED Nil (2008: AED 258,740,000) and commitments to invest in Associates of AED 27,915,000 (2008: Nil).

(b) *Other commitments*

The Group has commitments of AED 10,939,007,000 (2008: AED 34,233,593,000) for projects in progress. These commitments represent the value of contracts issued as at 31 December 2009 net of invoices received and accruals made at that date.

The Group has outstanding letter of credits amounting to AED 153,703,000 (2008: Nil) issued in the normal course of business.

(c) *Operating lease rentals*

As at 31 December, commitments under non-cancellable operating leases were:

	<b>2009</b> <b>AED'000</b>	<b>2008</b> <b>AED'000</b>
Within 1 year	64,253	34,194
After one year but not more than five years	209,619	73,547
More than five years	499,486	1,666
	<u>773,358</u>	<u>109,407</u>

**45. GUARANTEES**

The Group has issued bank and other guarantees in the normal course of business amounting to AED 613,312,000 (2008: AED 159,460,000).

**46. CONTINGENCIES**

*Legal claims*

The Group is a party to a pending arbitration proceeding with a former customer. The customer is seeking an award of damages against the Group of AED 2.1 billion, being the profit it would have earned had a lease contract previously signed by the two parties, had not been cancelled by the Group. The Group is also subject to other litigations of AED 871 million. Management believe the final resolution of this arbitration filing will not have a material impact on the Group's financial position as the lease contract was cancelled by the Group due to the customer breaching payment terms as per the lease contract. However, the Group has made provisions of AED 40 million representing only the direct costs claimed as incurred by the customer and AED 328 million which is the estimated cash outflow from the other legal claims.

*Termination liability and Delay claims*

In the event of termination or delay of contracts for construction and consultancy, the Group is liable to pay costs, which include demobilisation of the contractor's equipment, repatriation costs associated with the contractor's staff and labour, loss of profit and other associated costs. The Group has recorded a provision of AED 4.3 billion (2008: AED 2.6 billion) representing management's best estimate of the liabilities that may be incurred in this regard. The complete liability for the Group cannot be quantified and management is confident that there is a low possibility of cash outflows in excess of the amount recorded in the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2009 (continued)

**47. CASH GENERATED FROM OPERATIONS**

	Notes	Year ended 31 December 2009 AED'000	Year ended 31 December 2008 AED'000
(Loss)/profit for the year before income tax including discontinued operations		(23,563,165)	9,831,185
<b>Adjustments for:</b>			
Depreciation and amortisation	5,6,7	1,106,781	993,222
Loss/(gain) on sale of property, plant and equipment		6,251	(6,041)
Loss/(profit) on sale of investment property		-	8,110
Impairment charge and write-offs of property, plant and equipment, investment property, property held for development and sale and intangibles net of write-back	5,6,7,19	15,871,261	3,347,729
Impairment charge and write-off on associates	8	3,388,006	2,094,679
Impairment charge on available-for-sale financial assets	12	1,464,264	2,292,771
Loss on disposal of available-for-sale financial assets		17,482	3,775
Loss on valuation of derivative financial instruments	13	33,000	1,219,412
Provision for other liabilities and charges	32 (b)	1,165,127	3,023,993
Share of loss from associates and joint ventures	8, 9	78,585	96,631
Government grants released to income	29	(672,036)	(19,215,661)
Provision for impairment of receivables, accrued income and inventories	15, 18,20	2,136,812	59,775
Provision for employees' end of service benefits	31	43,843	175,999
Foreign exchange movements		355,734	(945,350)
Interest income	41	(176,786)	(496,951)
Interest expense	41	872,436	886,440
		<b>2,127,595</b>	<b>3,369,718</b>
Increase in non-current trade and other receivables including accrued income	15	448,864	(1,751,011)
Decrease in net assets classified as held-for-sale	22	(13,107)	(371)
Increase in non-current deferred revenue	32	3,334,941	6,957,921
Increase in non-current retentions payable	30	(443,368)	216,297
Increase in non-current trade and other payables	32	(255,513)	259,101
<b>Changes in working capital</b>			
Trade and other receivables before provisions and write-offs	15	1,195,634	(916,032)
Inventories before movement in provisions	18	36,982	(72,163)
Property held for development and sale net of government grants and transfers	19	6,950	(2,762,250)
Due from related parties net of transfers	20	(1,488,467)	578,916
Due to related parties	20	6,811	751,386
Trade and other payables excluding project accruals	32	(410,899)	2,526,506
Advances from customers	33	(4,220,743)	513,760
Retentions payable	30	438,549	371,612
<b>Cash generated from operations</b>		<b>764,229</b>	<b>10,043,390</b>

Significant non-cash transactions during the year include:

- (i) Government grants of land amounting to AED 302,375,000 (2008: AED 23,671,894,000) were received during the year.
- (ii) Government grants of AED 672,036,000 (2008: AED 19,215,661,000) were released to the consolidated statement of income during the year.
- (iii) Loan receivable of AED 308,685,000 (2008: Nil) was converted into preference share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2009** (continued)

**48. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the Executive Committee (“Committee”) that are used to make strategic decisions. The Committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of UAE, Europe and other which includes operations in GCC and India.

The reportable operating segments derive their revenue primarily from the real estate sector in UAE and GCC, hospitality revenue from UAE and telecommunication, hospitality and media revenue is derived from UAE and Europe. The Committee assesses the performance of the operating segments based on financial information which is in accordance with International Financial Reporting Standards.

The segment information provided to the committee for the reportable segments for the year ended 31 December 2009 is as follows:

	<b>Real estate AED'000</b>	<b>Hospitality AED'000</b>	<b>Telecomm- unications AED'000</b>	<b>Media AED'000</b>	<b>Total AED'000</b>
Total segment revenue	6,110,287	2,985,280	691,573	252,869	10,040,009
Inter-segment revenue	(130,997)	(400,293)	(1,137)	(7,733)	(540,160)
Revenue	5,979,290	2,584,987	690,436	245,136	9,499,849
Segment results	2,476,266	953,641	21,532	(141,973)	3,309,466
Other income					979,563
Unallocated operating expenses					(26,959,230)
Operating loss					(22,670,201)
Interest expense					(872,436)
Interest income					176,786
Share of (loss)/profit of associates and joint ventures	(188,984)	-	107,778	-	(81,206)
Loss before income tax					(23,447,057)
Income tax expense					(4,980)
Loss for the year					(23,452,037)
Depreciation and amortisation	510,425	416,607	159,141	20,608	1,106,781
Non-cash expenses other than depreciation and amortisation	20,974,336	74,984	1,280,000	447,368	22,776,688

The segment results for the year ended 31 December 2008 are as follows:

	<b>Real estate AED'000</b>	<b>Hospitality AED'000</b>	<b>Telecomm- unications AED'000</b>	<b>Media AED'000</b>	<b>Total AED'000</b>
Total segment revenue	8,545,508	4,079,722	779,970	360,456	13,765,656
Inter-segment revenue	(23,464)	(512,731)	-	(9,421)	(545,616)
Revenue	8,522,044	3,566,991	779,970	351,035	13,220,040
Segment results	3,664,731	1,817,712	338,891	149,179	5,970,513
Other income					19,852,610
Unallocated operating expenses					(15,464,976)
Operating profit					10,358,147
Interest expense					(883,116)
Interest income					496,951
Share of (loss)/profit of associates and joint ventures	(111,086)	-	12,165	-	(98,921)
Profit before income tax					9,873,061
Income tax expense					(9,062)
Profit for the year					9,863,999
Depreciation and amortisation	362,054	412,661	171,800	15,455	961,970
Non-cash expenses other than depreciation and amortisation	8,328,429	778,543	61,177	24,052	9,192,201

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009** (continued)

**48. SEGMENT INFORMATION** (continued)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the consolidated statement of income.

The amounts provided to the Committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit or loss) held by the Group are not considered to be segment assets but rather are managed by the treasury function.

The amounts provided to the Committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property, plant and equipment, intangible assets, investment property, property held for development and sale and cash and cash equivalents.

Segment liabilities comprise operating liabilities, advances from customers, borrowings, and deferred government grants.

Capital expenditure comprises additions to property, plant and equipment, intangibles, and additions resulting from investment properties.

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	<b>Real estate</b> <b>AED'000</b>	<b>Hospitality</b> <b>AED'000</b>	<b>Telecomm- unications</b> <b>AED'000</b>	<b>Media</b> <b>AED'000</b>	<b>Unallocated</b> <b>AED'000</b>	<b>Total</b> <b>AED'000</b>
Assets	102,697,768	6,447,278	609,254	169,554	3,562,621	113,486,475
Associates	1,250,918		9,748,090			10,999,008
<b>Total assets</b>	<b>103,948,686</b>	<b>6,447,278</b>	<b>10,357,344</b>	<b>169,554</b>	<b>3,562,621</b>	<b>124,485,483</b>
Liabilities	89,040,633	1,340,349	793,988	1,044,386	17,676,730	109,896,086
Capital expenditure	3,731,458	148,441	69,939	59,307	88,559	4,097,704

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	<b>Real estate</b> <b>AED'000</b>	<b>Hospitality</b> <b>AED'000</b>	<b>Telecomm- unications</b> <b>AED'000</b>	<b>Media</b> <b>AED'000</b>	<b>Unallocated</b> <b>AED'000</b>	<b>Total</b> <b>AED'000</b>
Assets	144,994,395	8,044,408	765,822	897,531	2,692,058	157,394,214
Associates	3,545,593	-	10,497,327	-	-	14,042,920
<b>Total assets</b>	<b>148,539,988</b>	<b>8,044,408</b>	<b>11,263,149</b>	<b>897,531</b>	<b>2,692,058</b>	<b>171,437,134</b>
Liabilities	113,328,455	1,538,833	772,091	828,828	17,907,070	134,375,277
Capital expenditure	16,227,666	290,304	141,158	254,544	16,934	16,930,606

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2009** (continued)

**48. SEGMENT INFORMATION** (continued)

The Group's business segments operate in three main geographical areas. The home country of the Group which is also the main region of operations is the United Arab Emirates ("UAE"). The areas of operation in the UAE are principally property sale and development, hospitality and media. Operations in Europe include telecommunications and hospitality.

The Group's revenues are generated mainly in UAE and Europe.

	<b>2009</b>	<b>2008</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Revenue</b>		
UAE	8,857,152	12,480,738
Europe	587,422	705,239
Other	55,275	34,063
	<b>9,499,849</b>	<b>13,220,040</b>

Revenue is allocated based on the country in which the investment is located.

<b>Total assets</b>		
UAE	111,849,850	156,187,441
Europe	1,580,281	1,003,818
Other	56,344	202,955
	<b>113,486,475</b>	<b>157,394,214</b>
Associates	10,999,008	14,042,920
	<b>124,485,483</b>	<b>171,437,134</b>

The assets are allocated based on where the assets are located.

<b>Capital expenditure</b>		
UAE	4,025,315	15,724,398
Europe	66,427	191,735
Other	5,962	1,014,473
	<b>4,097,704</b>	<b>16,930,606</b>

Capital expenditure is allocated based on where the assets are located.

**49. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the year end, TECOM Investments LLC ("TECOM") entered into an agreement with Dubai Ventures Group Limited ("DVG") to transfer DVG's 42% equity interest in Emirates International Telecommunications LLC ("EIT") to TECOM. The consideration for the transfer and the fair value of the assets and liabilities of EIT have not yet been determined.