

**DUBAI HOLDING  
COMMERCIAL OPERATIONS GROUP LLC**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2008**

## 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 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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

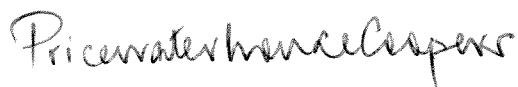
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.




PricewaterhouseCoopers  
14 May 2009

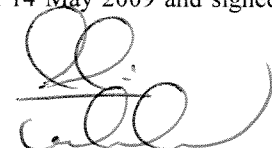
# Dubai Holding Commercial Operations Group LLC

## CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2008 AED'000	2007 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	43,261,901	42,480,508
Investment property	6	60,298,427	37,416,341
Intangible assets	7	1,253,447	1,052,376
Investments in associates	8	14,042,920	10,245,325
Investments in joint ventures	9	1,330,584	703,379
Financial assets including derivative financial instruments	11	2,390,484	3,913,799
Trade and other receivables	14	3,266,736	1,503,977
		<u>125,844,499</u>	<u>97,315,705</u>
<b>Current assets</b>			
Inventories	18	127,320	53,986
Property held for development and sale	19	32,466,956	21,630,073
Trade and other receivables	14	6,528,517	5,637,724
Due from related parties	20	4,100,548	3,686,467
Financial assets including derivative financial instruments	11	47,575	90,098
Cash and cash equivalents	21	2,316,766	11,637,381
		<u>45,587,682</u>	<u>42,735,729</u>
Non-current assets held for sale	22	4,953	61,439
		<u>171,437,134</u>	<u>140,112,873</u>
<b>Total assets</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	23	2,000,000	300
Contributed capital	24	887,148	2,855,409
Other reserves	25	4,234,168	4,918,199
Retained earnings		29,508,648	21,195,068
		<u>36,629,964</u>	<u>28,968,976</u>
Minority interest in equity		431,893	940,313
		<u>37,061,857</u>	<u>29,909,289</u>
<b>Total equity</b>			
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	28	10,848,602	11,608,250
Other payables	32	14,798,567	7,365,248
Due to related parties	20	-	92,662
Derivative financial instruments	13	1,828,404	772,037
Deferred income tax liabilities	42	77,766	116,540
Government grants	29	62,046,368	49,947,505
Employees' end of service benefits	31	276,906	147,922
		<u>89,876,613</u>	<u>70,050,164</u>
<b>Current liabilities</b>			
Advances from customers	33	18,386,507	17,872,747
Trade and other payables	32	14,254,253	7,987,935
Provision for other liabilities and charges	32	3,023,993	-
Due to related parties	20	1,475,717	1,946,498
Borrowings	28	5,500,014	4,281,464
Government grants	29	1,858,180	8,064,776
		<u>44,498,664</u>	<u>40,153,420</u>
		<u>134,375,277</u>	<u>110,203,584</u>
<b>Total liabilities</b>			
<b>Total equity and liabilities</b>		<u>171,437,134</u>	<u>140,112,873</u>

These consolidated financial statements were approved by the Board of Directors on 14 May 2009 and signed on its behalf by:

  
 Fadhel Al Ahi  
 Executive Chairman

  
 Ali Tabbal  
 Chief Financial Officer

## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2008 AED'000	2007 AED'000
Revenue	35	13,576,008	19,913,872
Direct costs		(7,358,906)	(11,864,132)
<b>Gross profit</b>		<b>6,217,102</b>	<b>8,049,740</b>
Release of government grants	29	19,215,661	9,994,522
Other operating income	36	644,502	1,483,189
		<b>26,077,265</b>	<b>19,527,451</b>
<b>Expenses</b>			
General and administrative	38	(3,730,021)	(3,040,849)
Marketing and selling	39	(850,748)	(756,262)
Other operating expenses	40	(11,176,901)	(1,066,342)
<b>Total expenses</b>		<b>(15,757,670)</b>	<b>(4,863,453)</b>
<b>Operating profit</b>		<b>10,319,595</b>	<b>14,663,998</b>
Finance costs	41	(886,440)	(935,004)
Finance income	41	496,951	450,597
Finance costs (net)		(389,489)	(484,407)
Share of loss of associates and joint ventures	8, 9	(98,921)	(234,231)
<b>Profit before income tax</b>		<b>9,831,185</b>	<b>13,945,360</b>
Income tax expense	42	(9,062)	(43,377)
<b>Profit for the year</b>		<b>9,822,123</b>	<b>13,901,983</b>
<b>Attributable to:</b>			
Equity holders of the Company		10,031,704	14,147,325
Minority interest		(209,581)	(245,342)
		<b>9,822,123</b>	<b>13,901,983</b>



## Dubai Holding Commercial Operations Group LLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

#### Attributable to equity holders of the Company

	Note	Attributable to equity holders of the Company										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 2007</b>		<b>300</b>	<b>2,855,409</b>	<b>3,475,913</b>	<b>3,850</b>	<b>200,350</b>	<b>247,579</b>	<b>38,022</b>	<b>8,644,280</b>	<b>15,465,703</b>	<b>528,240</b>	<b>15,993,943</b>
Fair value gains on available-for-sale assets	12	-	-	-	-	-	225,575	-	-	225,575	(2,842)	222,733
Translation reserve	27	-	-	-	-	385,582	-	-	-	385,582	322,492	708,074
Fair value losses on cash flow hedges		-	-	-	-	-	-	(36,206)	-	(36,206)	-	(36,206)
Net movement taken directly in equity		-	-	-	-	385,582	225,575	(36,206)	-	574,951	319,650	894,601
Equity introduced by minority interests		-	-	-	-	-	-	-	-	-	332,007	332,007
Net profit/(loss) for the year		-	-	-	-	-	-	-	14,147,325	14,147,325	(245,342)	13,901,983
Transfer to statutory reserve	26	-	-	-	376,477	-	-	-	(376,477)	-	-	-
Movement in other reserves in associates		-	-	1,008	-	-	-	-	-	1,008	322	1,330
Deferred tax	42	-	-	-	-	-	49	-	-	49	91	140
Minority interest arising from business combination		-	-	-	-	-	-	-	-	-	36,541	36,541
Dividend paid	34	-	-	-	-	-	-	-	(1,220,060)	(1,220,060)	(31,196)	(1,251,256)
<b>At 31 December 2007</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>
Fair value loss on available-for-sale assets	12	-	-	-	-	-	(2,761,018)	-	-	(2,761,018)	2,970	(2,758,048)
Transfer to consolidated income statement		-	-	-	-	-	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)
Net movement taken directly in equity		-	-	-	-	(366,818)	(471,298)	(16,455)	-	(854,571)	(293,084)	(1,147,655)
Transfer from contributed capital	23	1,999,700	(1,999,700)	-	-	-	-	-	-	-	-	-
Additional contribution during the year		-	31,439	-	-	-	-	-	-	31,439	9,883	41,322
Net profit/(loss) for the year		-	-	-	-	-	-	-	10,031,704	10,031,704	(209,581)	9,822,123
Transfer to statutory reserve	26	-	-	-	174,311	-	-	-	(174,311)	-	-	-
Movement in other reserves in associates		-	-	(2,213)	-	-	(1,558)	-	-	(3,771)	(2,026)	(5,797)
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>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>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008

**CONSOLIDATED CASH FLOW STATEMENT**

	Notes	<u>Year ended 31 December</u>	
		2008 AED'000	2007 AED'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	47	10,043,390	19,079,330
Payment of employees' end of service benefits	31	(31,538)	(21,014)
Income tax paid	42	(48,068)	(47,312)
<b>Net cash generated from operating activities</b>		<b>9,963,784</b>	<b>19,011,004</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment net of project accruals	5	(12,805,895)	(9,665,770)
Proceeds from sale of property and equipment net of receivable from a related party	5	34,561	4,053
Purchase of investment property net of project accruals and government grant	6	(867,515)	(665,116)
Proceeds from sale of investment property	6	133,287	168,230
Purchase of intangible assets	7	(277,689)	(138,998)
Proceeds from sale of non-current assets held for sale	-	-	373,996
Purchase of available-for-sale financial assets	12	(2,064,663)	(2,211,160)
Proceeds on sale of available-for-sale financial assets	12	687,267	-
Loan receivable	16	(20,642)	1,223
Loans to related parties	20	(4,756,062)	(1,244,325)
Repayments of loans from related parties	20	3,763,065	877,258
Finance leases provided during the year	17	(875)	(1,546)
Recovery of finance lease receivables	17	7,549	8,770
Interest received net of accrual	41	468,453	345,984
Investment in associates and joint ventures net of non-monetary contribution	8, 9	(1,954,625)	(255,985)
Acquisition of subsidiaries	43	(9,009)	(52,349)
Dividend received		218,336	100,631
<b>Net cash used in investing activities</b>		<b>(17,444,457)</b>	<b>(12,355,104)</b>
<b>Cash flows from financing activities</b>			
Net movement in bank borrowings net of exchange gain/loss	28	1,934,156	10,823,221
Interest paid net of accrued interest expense	41	(519,018)	(710,319)
Repayment of loans to related parties	20	(1,316,214)	(8,486,616)
Dividends paid	34	(1,521,601)	(1,477,598)
Capital contribution by shareholders		31,439	-
Investment by minority shareholders		9,883	332,007
<b>Net cash (used in) / provided by financing activities</b>		<b>(1,381,355)</b>	<b>480,695</b>
<b>(Decrease) / increase in cash and cash equivalents</b>			
Cash received as a grant	29	-	15,439
Cash and cash equivalents, beginning of the year		9,954,938	2,802,904
<b>Cash and cash equivalents, end of the year</b>	21	<b>1,092,910</b>	<b>9,954,938</b>

# Dubai Holding Commercial Operations Group LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (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	Place of incorporation	Principal activity	Holding percentage	
			2008	2007
Tatweer Dubai LLC (“Tatweer”)	UAE	Real estate development/leisure and entertainment	100	100
TECOM Investments LLC (“TECOM”)	UAE	Real estate and licensing services	100	100
Dubai Properties LLC (“DP”)	UAE	Real estate development and facilities management	100	100
Sama Dubai LLC (“Sama”)	UAE	Real estate development	100	100
Jumeirah Group LLC (“Jumeirah”)	UAE	Hospitality and leisure	100	100
Jumeirah Assets LLC	UAE	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.

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.

(a) *Standards, amendments and interpretations effective in 2008 but not relevant to the Group’s operations*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group’s operations in 2008:

- IFRIC 11, IFRS 2 - Group and treasury share transactions;
- IFRIC 12 - Service concession arrangements ; and
- IFRIC 14, IAS 19 - The limit on a Defined Benefit Asset, minimum funding requirements and their interaction.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (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 2009 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 income statement. 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.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IFRS 8, 'Operating Segments' (effective from annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US Statement of Financial Accounting Standard 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. The Group will apply this standard from the effective date.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit 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. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 1 (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 Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have a significant impact on the Group's financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (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 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). 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 Group will apply the IAS 19 (Amendment) from 1 January 2009.
- 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 Group will apply the IAS 20 (Amendment) from 1 January 2009.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with noncontrolling 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.
- 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). 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 Group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
- 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). 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 is not expected to have a significant impact on the Group's financial statements.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). 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 Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (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' (effective from 1 January 2009). 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 Group will apply the IAS 38 (Amendment) from 1 January 2009.
- 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. Currently, for segment reporting purposes, each subsidiary designates contracts with Group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the Group will not formally document and test this relationship.
  - When remeasuring 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) is used.

The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have a significant impact on the Group's financial statements.

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, 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 amendment will not have an impact on the Group's operations since it is the Group's policy to account for investment property using the cost model.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

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

##### 2.2 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 13, 'Customer Loyalty Programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods and services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair value.

(c) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations*

Certain new interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- 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 Group will apply IFRS 1 (Amendment) from 1 January 2009. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to have a significant impact on the Group's financial statements.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). 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 will not have an impact on the Group's operations, as none of the Group's subsidiaries or associates operate in hyperinflationary economies.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). 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 is not expected to have a significant impact on the Group's financial statements.
- IAS 32 (Amendment), 'Financial Instruments: Presentation', (effective for annual periods beginning on or after 1 January 2009); 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'. 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 pro-rata 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 a significant impact on the Group's financial statements.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

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

##### 2.1 Basis of preparation (continued)

(c) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operation (continued)*

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). 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 significant impact on the Group's operations.
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the Group's operations as no agricultural activities are undertaken.

##### 2.2 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, except for acquisitions involving entities under common control, which are accounted for using the uniting of interests method. 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 income statement.

Transfer of businesses under common control 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 income statement 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 income statement. 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. Separate disclosure is made of minority interest in the consolidated income statement and the consolidated balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

**2.2 Consolidation** (continued)

*(c) Transactions eliminated 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 joint ventures 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 income statement 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 are recognised in the consolidated income statement.

**2.3 Segment reporting**

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (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 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 income statement, 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 income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other operating income or expenses'.

*(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 income statement 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 income statement 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 2008** (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 income statement 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

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 included in the consolidated income statement.

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 either investment property or property, plant and equipment as appropriate, 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 either to investment property or to property, plant and equipment, as appropriate, 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 2008** (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". 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. 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 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.

*(b) Customer base*

The customer base 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 2008** (continued)

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

**2.8 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example land and 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 level 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.

**2.9 Financial assets**

The Group classifies its financial assets in the categories set out below. 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) 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 balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are classified as trade and other receivables, loans receivable, due from related parties and cash and cash equivalents in the consolidated balance sheet.

*(b) 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.

Regular purchases and sales of financial assets are recognised on trade-date, being 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. Available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

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 equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

**2.9 Financial assets** (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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 the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in note 2.11.

**2.10 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. 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*

Fair values are obtained from quoted market prices or other appropriate valuation models. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*(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 income statement.

Amounts accumulated in equity are recycled in the consolidated income statement 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 income statement 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 income statement. 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 income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

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

(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 income statement.

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 or a financial instrument 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.

All other currency and interest rate swaps are classified as fair value hedges.

(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.

Changes in fair value of any derivative financial instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the consolidated income statement.

**2.11 Trade receivables**

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 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 income statement. 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 income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

**2.12 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.

**2.13 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.

**2.14 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.

**2.15 Non-current assets held for sale**

Non-current assets are classified as 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.

**2.16 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 income statement over the period of the borrowings using the effective interest method.

This amount is recorded as a liability on an amortised cost basis until maturity of the term notes.

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 2008** (continued)

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

**2.17 Trade payables and provisions**

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

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.

**2.18 Employee benefits**

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

A provision 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 provision 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 income statement, 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.

*(c) Defined contribution plan*

A number of subsidiaries of the Group participate in a defined contribution plan sponsored by a fellow subsidiary. A defined contribution plan is a pension plan under which these subsidiaries pay fixed contributions into a separate entity.

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 2008** (continued)

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

**2.19 Taxation**

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

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 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

**2.20 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. These are considered a current liability as they are repayable on demand on cancellation of the contracts, subject to certain penalties.

**2.21 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. This is subsequently released to the consolidated income statement 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 income statement are calculated by using the square footage of those plots of land on a pro-rata basis.

Impairment losses or reversals of impairment that arise prior to the conditions attached to the grants (as noted in paragraphs (i) to (iii) above) are met, are adjusted against deferred government grants in the consolidated balance sheet. These impairment losses/reversals are recognised in the consolidated income statement only when the conditions are met.

*(b) Other grants*

All other forms of government grants are accounted for under the income approach in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

**2.22 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 income statement 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 income statement. 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, good sold and services 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 2008** (continued)

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

**2.22 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) *Interest income*

Interest income is recognised in the consolidated income statement on a time proportion basis using the effective interest method.

(i) *Dividend income*

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

**2.23 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 income statement 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 charges and reduction of the lease asset so as to achieve a constant periodic rate of interest on the remaining balance of the receivable. Finance charges are 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.

**2.24 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.

**2.25 Onerous contracts**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (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 Board of Directors. The Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board 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 2008, if the Euro had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax profit for the year would have been AED 447 million higher/lower (2007: AED 404 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 2008, if the GBP had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax profit for the year would have been higher/lower by AED 283 million (2007: AED 361 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 2008 (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 2008, if the CHF had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax profit for the year would have been higher/lower by AED 88 million (2007: NIL), mainly as a result of foreign exchange gains/losses on translation of CHF-denominated borrowings.

**JPY/AED exchange rate sensitivity analysis**

At 31 December 2008, if the JPY had weakened/strengthened by 10% against the AED with all other variables held constant, post-tax profit for the year would have been higher/lower by AED 41 million (2007: NIL), 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 2008</b>						
<b>Financial assets</b>						
Available-for-sale financial assets	3,936	-	1,803,814	-	-	1,807,750
Derivative financial instruments	2,412	-	627,897	-	-	630,309
Trade and other receivables	3,387,344	-	4,815	-	194,568	3,586,727
Due from related parties	4,100,549	-	-	-	-	4,100,549
Cash and bank balances	2,112,945	71,190	107,806	1,482	23,339	2,316,762
<b>Financial liabilities</b>						
Borrowings	1,520,966	4,122,452	6,752,023	2,686,065	1,267,110	16,348,61
Derivative financial instruments	-	-	1,828,404	-	-	1,828,404
Trade and other payables	15,599,955	419,814	31,598	147,476	28,511	16,227,354
Due to related parties	1,475,717	-	-	-	-	1,475,717
<b>At 31 December 2007</b>						
<b>Financial assets</b>						
Available-for-sale financial assets	1,500	-	3,007,607	-	184,981	3,194,088
Derivative financial instruments	6,493	-	803,316	-	-	809,809
Trade and other receivables	3,752,919	-	6,354	362	162,660	3,922,295
Due from related parties	3,686,467	-	-	-	-	3,686,467
Cash and bank balances	11,274,975	25,989	61,238	-	275,179	11,637,381
<b>Financial liabilities</b>						
Borrowings	5,869,947	4,022,749	2,259,078	3,612,658	125,282	15,889,714
Derivative financial instruments	-	-	772,037	-	-	772,037
Trade and other payables	7,121,675	17,558	-	-	244,299	7,383,532
Due to related parties	2,039,160	-	-	-	-	2,039,160

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

**3.2 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 2008, 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 30 million (2007: AED 100 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 45:55 (2007: 52:48). 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 2008, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been AED 90 million (2007: AED 83 million) lower/higher, mainly as a result of higher/lower interest expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

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

**3.3 Financial risk factors** (continued)

(b) *Credit risk*

The Group is exposed to credit risk in relation to its monetary assets, mainly trade receivables, derivative assets and bank deposits. Trade receivables are either made to customers with an appropriate credit history or secured by bank guarantees. The Group has no other significant concentration of credit risk.

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.

The table below shows the balance of major counterparties at the balance sheet date.

Counterparty classification	Rating	2008 AED'000	2007 AED'000
<b>Bank balances</b>			
Counter party 1	A1	1,121,490	6,894,899
Counter party 2	Aa3	479,684	-
Counter party 3	A2	333,956	968,230
Counter party 4	Aa2	174,096	1,961,293
Counter party 5	Aa1	131,523	205
Counter party 6	A3	9,399	97,114
Counter party 6	Ba2	5,061	29,320
Counter party 8	Aaa	-	8,309
Counter party 9	B+	-	3,318
Others	NA*	61,557	1,674,693
		2,316,766	11,637,381
<b>Derivative assets</b>			
Counter party 1	Aa1	342,411	-
Counter party 2	A1	219,599	621,081
Counter party 3	Aa2	-	127,283
Counter party 4	Aa1	52,470	-
Counter party 5	Aa2	8,053	6,011
Counter party 6	Aa3	239	-
Counter party 7	A1	5,125	-
Others	NA*	2,412	55,434
		630,309	809,809

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (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 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within 1 year AED'000	1 to 5 years AED'000	More than 5 years AED'000
<b>At 31 December 2008</b>			
Borrowings	6,020,146	5,715,665	7,654,770
Trade and other payables	16,227,354	-	-
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
	<u>24,380,838</u>	<u>7,001,982</u>	<u>8,519,516</u>
<b>At 31 December 2007</b>			
Borrowings	4,281,464	3,700,771	7,907,479
Trade and other payables	7,348,525	32,073	2,934
Retentions payable	286,009	827,287	-
Due to related parties	205,683	-	-
Loans from related parties	1,740,815	92,662	-
Derivative financial instruments	-	-	43,875
	<u>13,862,496</u>	<u>4,652,793</u>	<u>7,954,288</u>

The Group has the following undrawn borrowing facilities:

	2008 AED'000	2007 AED'000
Floating rate:		
- Expiring within one year	469,472	650,335
- Expiring beyond one year	-	3,697,657
	<u>469,472</u>	<u>4,347,992</u>
Fixed rate:		
- Expiring beyond one year	2,024	-
	<u>2,024</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (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 carrying amounts of the financial liabilities and the net-settled derivative financial liabilities are equal to their fair value due to weighted average interest rates incurred on the liabilities being equal to the discount rate applied to derive their 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Within 1 year AED'000</b>	<b>1 to 5 years AED'000</b>	<b>More than 5 years AED'000</b>
<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
	<u>44,522</u>	<u>(242,733)</u>	<u>(864,746)</u>
<b>At 31 December 2007</b>			
<b>Derivatives</b>			
Cross currency contracts and interest rate swaps			
- Outflow	(613,977)	(2,116,881)	(14,708,676)
- Inflow	676,132	2,521,598	14,664,801
	<u>62,155</u>	<u>404,717</u>	<u>(43,875)</u>

**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 the year, the Group issued two tranches of CHF 250 million 3-years and JPY 10 Billion 5-years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

**3.2 Capital risk management** (continued)

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.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	<b>2008</b>	<b>2007</b>
	<b>AED'00</b>	<b>AED'000</b>
Total borrowings (Notes 20, 28)	16,865,879	17,723,191
Less: cash and cash equivalents (Note 21)	(2,316,766)	(11,637,381)
Net debt	14,549,113	6,085,810
Total equity	37,061,857	29,909,289
Total capital	51,610,970	35,995,099
Gearing ratio	28%	17%

The increase in the gearing ratio during 2008 resulted primarily from the decrease in cash and cash equivalents from AED 11.6 billion to AED 2.3 billion with no significant change in the level of borrowings.

**3.3 Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is based on valuation techniques. 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (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 long term period of five to fifteen years.
- The discount rates 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 are based on a conservative view of the long-term rate of growth.

An impairment charge of AED 7.4 billion has been recognised against property, plant and equipment (Note 5), investment property (Note 6), 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 and investment property (before impairment charge) and the recoverable amount. The recoverable amount has been determined on the basis of "value in use". This impairment charge has been included within other expenses (Note 40).

*(b) Impairment of available-for-sale financial assets*

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. The Group has recognised an impairment loss of AED 2.3 billion (2007: Nil) on its existing assets as the decline in fair value below cost has been significant and prolonged.

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

During the year provisions of AED 2.8 billion have been recognised for estimated liabilities upon termination of contracts. This provision has been included within "Other 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 (Note 46).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

During 2008, the Group was granted land by the Government of Dubai. The fair value of this land was AED 23.1 billion (2007: 3.3 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 income statement in accordance with the accounting policy on government grants as set out in Note 2.21. In applying this policy to plots of land that are developed or sold in phases, the elements of grants released to the consolidated income statement are calculated by using the square footage of those plots of land on a pro-rata basis.

*(b) 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.

*(c) 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 1,068 million.

*(d) Contractor claims*

At 31 December 2008, certain contractors have raised claims on the Group for additional costs. The likelihood of economic outflows resulting from these claims is assessed to be remote and therefore no liability has been recorded for these claims.

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

#### 5. PROPERTY, PLANT AND EQUIPMENT

	Note	Land AED'000	Buildings and infra- structure AED'000	Leasehold improvements AED'000	Equipment and machinery AED'000	Furniture, fixtures and office equipment AED'000	Computer hardware AED'000	Motor vehicles and aircraft AED'000	Other assets AED'000	Capital work-in- progress AED'000	Total AED'000
<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	43	-	-	-	48	95	61	-	-	-	204
Transfers from investment property	6	-	1,746	-	-	143,087	-	-	-	2,374,017	2,518,850
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)
Transfers from property held for development and sale	19	-	-	-	-	-	-	-	-	1,583,524	1,583,524
Transfer to non-current assets held for sale	22	-	(1,382)	-	-	-	-	-	-	-	(1,382)
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
Transfer to intangible assets	7	-	-	-	-	-	-	-	-	(52,969)	(52,969)
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)
At 31 December 2008		<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</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	43	-	-	-	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 from investment property	6	-	116	-	-	68,227	-	-	-	-	68,343
Transfers to investment property	6	-	-	-	-	(2,629)	-	-	-	-	(2,629)
Other 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)
At 31 December 2008		-	<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>											
At 31 December 2008		<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>

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

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

	Note	Land AED'000	Buildings and infra- structure AED'000	Leasehold improvements AED'000	Equipment and machinery AED'000	Furniture, fixtures and office equipment AED'000	Computer hardware AED'000	Motor vehicles and aircraft AED'000	Other assets AED'000	Capital work-in- progress AED'000	Total AED'000
<b>Cost</b>											
At 1 January 2007		913,351	4,771,275	23,337	1,260,546	2,422,544	47,637	103,320	27,129	17,148,416	26,717,555
Acquisition of subsidiaries		-	164	-	12,470	258	501	83	-	-	13,476
Returned to the Government of Dubai	29	-	-	-	-	-	-	-	-	(435,503)	(435,503)
Transfers from investment property	6	-	39,190	-	-	-	-	-	-	10,118,208	10,157,398
Transfers to investment property	6	-	(3,014)	-	-	(477)	-	-	-	(963,027)	(966,518)
Transfers from property held for development and sale	19	-	-	-	-	-	-	-	-	2,605,360	2,605,360
Transfers to property held for development and sale	19	-	-	-	-	-	-	-	-	(17,883)	(17,883)
Transfers to intangible assets	7	-	-	-	-	-	-	-	-	(17,432)	(17,432)
Additions		-	15,250	37,412	138,182	121,641	27,768	149,000	80,995	8,070,369	8,640,617
Disposals		-	(75,400)	(2,521)	(6,642)	(28,552)	(77)	(275)	-	(181,420)	(294,887)
Write-offs		-	-	-	-	-	-	-	-	(174,273)	(174,273)
Transfer to related parties		-	-	(292)	-	(1,711)	-	-	-	(226,114)	(228,117)
Transfers		-	275,330	39,136	156,491	(32,652)	-	-	-	(438,305)	-
Exchange differences		-	18,674	-	134,695	-	-	561	-	2,551	156,481
At 31 December 2007		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
<b>Depreciation</b>											
At 1 January 2007		-	1,052,362	12,626	743,720	1,220,038	34,385	11,205	13,636	-	3,087,972
Charge for the year		-	177,429	15,888	141,457	238,318	13,383	12,282	1,263	-	600,020
Acquisition of subsidiaries		-	-	-	440	126	316	31	-	-	913
Disposals		-	(48,044)	(1,999)	(5,061)	(22,929)	(42)	(212)	-	-	(78,287)
Impairment reversal		-	(21,938)	-	-	-	-	-	-	-	(21,938)
Transfers to investment property		-	-	-	-	(176)	-	-	-	-	(176)
Transfer to related parties		-	-	(276)	-	(920)	-	-	-	-	(1,196)
Transfers to intangible assets	7	-	-	-	-	(455)	-	-	-	-	(455)
Transfers		-	6,806	85	-	(6,967)	-	-	-	76	-
Exchange differences		-	4,206	-	84,296	-	-	411	-	-	88,913
At 31 December 2007		-	1,170,821	26,324	964,852	1,427,035	48,042	23,717	14,899	76	3,675,766
<b>Net book amount</b>											
At 31 December 2007		913,351	3,870,648	70,748	730,890	1,054,016	27,787	228,972	93,225	35,490,871	42,480,508

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

At 31 December 2008, an impairment provision of AED 1.4 billion (2007: Nil) 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 the assets. This impairment charge is included within other operating expenses (Note 40).

In 2006 an impairment charge of AED 21,069,000 was booked for the assets that are to be demolished, sold or written off as part of the redevelopment programme of Jumeirah Beach Club. Following a revision of the redevelopment programme, a further AED 61,065,000 and AED 47,698,000 have been recorded in 2007 and 2008 respectively.

In 2002, an impairment charge of AED 39,122,000 was recorded for the Emirates Academy of Hospitality Management ('EAHM') within Jumeirah Beach Resort LLC. In 2007, an impairment reversal of AED 21,938,000 was recorded due to the improved operational outlook for this business unit.

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.

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 amounts to AED 1,194,280,000 (2007: AED 1,135,778,000), without obtaining the consent of the bank, which shall not be unreasonably withheld (Note 28).

Land include AED 80,000,000 (2007: AED 80,000,000) representing land on which Jumeirah Beach Club is located. This land is in the name of the ultimate shareholder for the beneficial interest of the Group.

Capital work-in-progress comprises design and development costs of buildings and infrastructure. It also includes interest capitalised of AED 73,500,000 (2007: AED 52,739,000) and land of AED 13,614,625,000 (2007: AED 22,935,769,000).

Depreciation charge is included under:

	<b>Year ended 31 December 2008 AED'000</b>	<b>Year ended 31 December 2007 AED'000</b>
Direct costs	158,564	237,268
General and administrative expenses	541,116	362,752
	<u>699,680</u>	<u>600,020</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**6. INVESTMENT PROPERTY**

	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

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (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 2007		37,059,258	1,544,692	245,612	330,930	39,180,492
Additions		563,396	99,650	-	2,070	665,116
Government grants	29	3,317,903	-	-	-	3,317,903
Transfers from property, plant and equipment	5	129,506	781,999	54,536	477	966,518
Transfers to property, plant and equipment	5	(10,043,557)	(78,169)	(35,672)	-	(10,157,398)
Transfers from property held for development and sale	19	4,115,005	196,112	-	-	4,311,117
Transfers to property held for development and sale	19	(30,338)	-	-	-	(30,338)
Disposals		(141,138)	(44,482)	-	(2)	(185,622)
Returned to Government of Dubai		(75,478)	-	-	-	(75,478)
Transfer to a related party	29	(369)	-	-	-	(369)
At 31 December 2007		34,894,188	2,499,802	264,476	333,475	37,991,941
<b>Depreciation</b>						
At 1 January 2007		-	251,778	41,619	130,732	424,129
Charge for the year		-	111,115	10,186	29,994	151,295
Transfers from property, plant and equipment	5	-	-	-	176	176
At 31 December 2007		-	362,893	51,805	160,902	575,600
<b>Net book amount</b>						
At 31 December 2007		34,894,188	2,136,909	212,671	172,573	37,416,341

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**6. INVESTMENT PROPERTY** (continued)

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. Based on such valuation, the fair value of the investment property at that date was AED 141.8 billion. In the prior year, management carried an internal valuation of investment property; the fair value at 31 December 2007 was AED 195.6 billion.

At 31 December 2008, an impairment charge of AED 3.7 billion (2007: Nil) has been recognised against land. This charge was recorded following a formal valuation of the Group's investment property. This impairment charge is recorded to write down the cost of the land to its recoverable amount and is adjusted against deferred government grants (Note 29).

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 119,868,000 (2007: AED 203,392,000), without obtaining the consent of the bank, which shall not be unreasonably withheld (Note 28).

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

	<b>Year ended 31 December 2008 AED'000</b>	<b>Year ended 31 December 2007 AED'000</b>
Rental income (Note 35)	1,673,092	1,196,297
Direct operating expenses arising from investment properties	354,500	218,451

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2008 (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 2007		396,779	261,154	67,549	14,796	14,120	24,999	4,250	53,888	837,535
Acquisition of subsidiaries	43	9,332	50,563	-	710	11,938	-	-	5,396	77,939
Additions		-	-	-	5,992	-	116,398	-	16,608	138,998
Transfer from property, plant and equipment	5	-	-	-	1,810	-	15,622	-	-	17,432
Exchange differences		42,151	25,456	-	905	743	-	-	3,629	72,884
At 31 December 2007		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-offs		-	-	-	-	-	(2,183)	-	(6,507)	(8,690)
Other 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 2007		-	10,156	4,311	-	2,746	14,284	-	6,483	37,980
Charge for the year		-	19,838	4,498	8,022	7,352	8,613	-	3,663	51,986
Write-offs		1,757	-	-	234	-	-	-	-	1,991
Transfer from property, plant and equipment	5	-	-	-	455	-	-	-	-	455
At 31 December 2007		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
Other 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
<b>Net book amount</b>										
At 31 December 2008		432,861	270,174	53,233	42,381	335,823	55,637	4,250	59,088	1,253,447
At 31 December 2007		446,505	307,179	58,740	15,502	16,703	134,122	4,250	69,375	1,052,376

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**7. INTANGIBLE ASSETS** (continued)

During the year an impairment charge of AED 24,666,000 (2007: Nil) has been recognised against trade names and broadcasting rights. This charge was recorded following management's annual review of asset balances in view of a decline in earnings from these assets. This impairment charge has been included within other operating expenses (Note 40).

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 2008				31 December 2007			
	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	-	6,358	9,638	15,996	-	4,763	2,398	7,161
Europe	416,659	-	-	416,659	441,804	-	-	441,804
Other	-	4,456	-	4,456	-	1,790	-	1,790
	<u>416,659</u>	<u>10,814</u>	<u>9,638</u>	<u>437,111</u>	<u>441,804</u>	<u>6,553</u>	<u>2,398</u>	<u>450,755</u>

The Group has tested separately recognised goodwill and brands with indefinite life for impairment. As a result, no impairment loss has been recognised (2007: AED 1,757,000) (Note 43).

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:

**Brands**

- Forecast revenues based on past performance and expectations of market development
- Brand rate: 5%
- Discount factor: 10%

**Goodwill**

- Forecast cash flows based on past performance and expectations of market development
- Growth rate: 2.5% to 4%
- Discount factor: 8.7 to 11.6%
- Gross margin: 64.8% to 77.4%
- EBITDA margin: 35.1% to 44.8%

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 2008** (continued)

**8. INVESTMENTS IN ASSOCIATES**

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
At 1 January	10,245,325	9,996,994
Investment during the year	1,299,590	10,397
Government grant	5,546,602	-
Acquisition of a subsidiary	-	427
Share of loss	(71,025)	(194,990)
Impairment charge (Note 40)	(2,091,001)	(8,399)
Write-off	(3,678)	-
Other equity movements	(5,797)	1,406
Transfer to non-current assets held for sale	-	(538)
Dividend received from an associate	(218,336)	(100,631)
	<u>14,701,680</u>	<u>9,704,666</u>
Exchange differences	(658,760)	540,659
At 31 December	<u><u>14,042,920</u></u>	<u><u>10,245,325</u></u>

Investment in associates at 31 December 2008 includes goodwill of AED 8,139,048,000 (2007: AED 5,990,791,000), intangible assets of AED 1,996,134,000 (2007: AED 1,910,460,000) and other movements of AED 105,732,000 (2007: AED 285,990,000).

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. Although the fair value of the du shares dropped significantly during the year, it still remains above the carrying value.

In the current year, the Group was granted a 30% share of Dubai Festival City LLC ('DFC'). The grant was recorded as an investment in associate and the relating grant valued at AED 5,546,602,000 was immediately released to the consolidated income statement. The purchase price allocation exercise is not yet finalised due to the scale and complexity in terms of structure of the transaction. The group will recognise adjustments, if any, to the provisional numbers within twelve months of the acquisition date.

During the year, the Group acquired 34.6% of the share capital of Hellenic Company for Telecommunications and Telematic Applications S.A. ("Forthnet"), a telecoms integrated service provider operating in Malta, for AED 1,200,902,000.

The fair market values of three associates Dubai Festival City LLC, Forthnet and Prisme, declined significantly since acquisition. As a result, the carrying value of the investments were tested for impairment, resulting in impairment losses of AED 2,091,001,000 (Note 40) being recorded.

The Group's share of its associates' contingencies and commitments amounts to AED 117,873,000 (2007: AED 30,408,000) and AED 591,565,000 (2007: AED 167,471,000) respectively.

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Du	1,693,000	5,779,800
Forthnet	196,000	-
	<u><u>1,889,000</u></u>	<u><u>5,779,800</u></u>

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2008 (continued)

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

Summarised financial information relating to the Group's share of its associates 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	Carrying value at 31 December AED'000
<b>2008</b>								
Axiom Telecom LLC	Mobile phone retail, wholesale and services	UAE	40	802,399	740,688	2,317,687	54,125	502,804
Interoute Telecom Holding Limited (UK)	Dark fibre and bandwidth services	UK	30	783,121	690,895	400,856	(72,427)	197,068
Emirates Integrated Telecommunications Company, PJSC ("du")	Telecommunications	UAE	19.5	1,516,308	1,026,871	770,433	804	415,206
Tunisie Telecom	Telecommunications	Tunisia	35	2,623,418	1,325,823	1,318,544	255,960	8,398,077
Hellenic company for Telecommunications and Telematic Applications S.A.	Telecommunications	Greece	34.6	1,823,089	1,136,687	390,964	(76,393)	983,745
Lammtarra FZ LLC	Entertainment media	UAE	30	10,243	1,865	6,307	1,159	8,378
Prisme International LLC	Event management	UAE	60	15,046	7,137	32,118	1,909	7,909
Al Manar Development Company	Real estate developer	Morocco	30	91,251	78,952	-	(917)	79,306
Dubai Festival City LLC	Property development and leasing	UAE	30	4,437,536	3,291,885	952,642	(82,670)	3,450,000
Jernain EMS LLC	Energy management Solutions	UAE	50	1,532	1,134	262	15	427
<b>Total</b>				<b>12,103,943</b>	<b>8,301,937</b>	<b>6,189,813</b>	<b>81,565</b>	<b>14,042,920</b>

#### 2007

Axiom Telecom LLC	Mobile phone retail, wholesale and services	UAE	40	1,913,673	1,890,666	1,924,831	667	464,101
Interoute Telecom Holding Limited (UK)	Dark fibre and bandwidth services	UK	30	791,492	620,784	284,108	(104,664)	315,716
Emirates Integrated Telecommunications Company, PJSC ("du")	Telecommunications	UAE	19.5	847,874	359,241	299,787	(172,627)	400,192
Tunisie Telecom	Telecommunications	Tunisia	35	2,727,592	1,355,932	1,202,135	204,910	9,061,211
Jernain EMS LLC	Energy management Solutions	UAE	50	1,532	1,134	253	20	427
Samsari.com FZ-LLC	E-Commerce	UAE	50	3,678	-	-	-	3,678
<b>Total</b>				<b>6,285,841</b>	<b>4,227,757</b>	<b>3,711,114</b>	<b>(71,694)</b>	<b>10,245,325</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**9. INVESTMENTS IN JOINT VENTURES**

	<b>2008</b>	<b>2007</b>
	<b>AED'000</b>	<b>AED'000</b>
At 1 January	703,379	276,977
Investment during the year	655,035	467,707
Share of loss	(25,606)	(39,241)
Other equity movements	(2,224)	(2,064)
	<u>1,330,584</u>	<u>703,379</u>
<b>Commitments and contingencies</b>		
Group share of joint ventures' commitments	856,086	475,290
Group share of joint ventures' contingent liabilities	18,786	418

At 31 December 2008, investment in joint ventures includes intangible assets of AED 114,415,000 (2007: Nil).

The Group has not recognised losses amounting to AED 32,824,000 (2007: Nil) for Dubai Mercantile Exchange Holding Limited. The accumulated losses not recognised were 32,824,000 (2007: Nil).

*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 exceeded the carrying amount by AED 2,290,000 (2007: AED 77,000). 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 Group owns a 50% equity stake in EMPOWER, an entity incorporated in UAE. The other party to the joint venture is the Dubai Electricity and Water Authority. The principal activity of EMPOWER is the production and distribution of cooling water for air conditioning to commercial, residential and industrial units. During the year EMPOWER issued additional shares of AED 100,000,000 to which the Group subscribed AED 50,000,000 (2007: AED 90,000,000).

*Madamobil Holdings Mauritius Limited ("MHML")*

During the year 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 114,415,000 whilst other assets amount to AED 31,155,000.

*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 will be to be: a) a real estate agent; b) real estate brokers; and c) a provider of real estate management services.

During 2008, a further capital contribution of AED 459,465,000 (2007: AED 139,945,000) was made towards capital work in progress and purchase of land in the joint venture.

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2008 (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
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#### 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>

#### 2007

Dubai Mercantile Exchange Holding Limited	Operates physical commodities derivative exchange	Bermuda	50	89,436	87,023	2,450	(32,904)
Arady Developments LLC	Real estate development	UAE	50	277,595	-	-	-
Emirates Central Cooling Systems Corporation	District cooling services	UAE	50	673,802	479,160	54,658	(7,112)
Emaar Bawadi LLC	Real estate development	UAE	50	227,955	-	-	-
Tatweer Events	Leisure and entertainment	UAE	49.8	3,762	2,988	775	775
<b>Total</b>				<b>1,272,550</b>	<b>569,171</b>	<b>57,883</b>	<b>(39,241)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (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 2008</b>					
Financial assets including derivative instruments (Note 11)	-	630,309	-	1,807,750	2,438,059
Trade and other receivables excluding advances to contractors and prepayments (Note 15)	3,586,727	-	-	-	3,586,727
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
	<u>10,041,730</u>	<u>630,309</u>	<u>-</u>	<u>1,807,750</u>	<u>12,479,789</u>
<b>At 31 December 2007</b>					
Financial assets including derivative instruments (Note 11)	-	803,316	6,493	3,194,088	4,003,897
Trade and other receivables excluding advances to contractors and prepayments (Note 15)	3,922,295	-	-	-	3,922,295
Loans receivable (Note 16)	17,047	-	-	-	17,047
Due from related parties (Note 20)	3,686,467	-	-	-	3,686,467
Cash and bank balances (Note 21)	11,637,381	-	-	-	11,637,381
	<u>19,263,190</u>	<u>803,316</u>	<u>6,493</u>	<u>3,194,088</u>	<u>23,267,087</u>
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 2008</b>					
Borrowings (Note 28)		-	-	16,348,616	16,348,616
Trade and other payables (Note 32)		-	-	17,872,750	17,872,750
Derivative financial instruments (Note 13)		1,816,384	12,020	-	1,828,404
Due to related parties (Note 20)		-	-	1,475,717	1,475,717
		<u>1,816,384</u>	<u>12,020</u>	<u>35,697,083</u>	<u>37,525,487</u>
<b>At 31 December 2007</b>					
Borrowings (Note 28)		-	-	15,889,714	15,889,714
Trade and other payables (Note 32)		-	-	8,496,828	8,496,828
Derivative financial instruments (Note 13)		767,756	4,281	-	772,037
Due to related parties (Note 20)		-	-	2,039,160	2,039,160
		<u>767,756</u>	<u>4,281</u>	<u>26,425,702</u>	<u>27,197,739</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

	<b>2008</b>	<b>2007</b>
	<b>AED'000</b>	<b>AED'000</b>
<i>Current</i>		
Available-for-sale financial assets (Note 12)	45,163	34,755
Derivative financial instruments (Note 13)	2,412	55,343
	<u>47,575</u>	<u>90,098</u>
<i>Non-current</i>		
Available-for-sale financial assets (Note 12)	1,762,587	3,159,333
Derivative financial instruments (Note 13)	627,897	754,466
	<u>2,390,484</u>	<u>3,913,799</u>

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

At 1 January	3,194,088	708,142
Additions during the year	2,064,663	2,245,915
Disposals during the year	(691,042)	-
Change in fair value for the year	(2,761,018)	222,733
Exchange differences	1,059	17,298
	<u>1,807,750</u>	<u>3,194,088</u>

The brought forward balance at 1 January 2008 includes AED 1,951,445,000 (2007: AED 552,122,000) 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. The fair value loss of AED 1,928,749,000 (2007 fair value gain: AED 339,721,000) on this investment is included in the total net change in fair value amounting to AED 2,761,018,000 (2007: AED 222,733,000), which has been recognised directly in equity through a fair value reserve. Further, there was an impairment provision of AED 1,342,605,000 made on this investment and the amount has been recycled to the consolidated income statement. During the year an additional investment of AED 1,500,000,000 (Note 20) (2007: AED 1,141,707,000) was made in this fund.

The Group has invested a total of AED 91,830,000 (2007: AED 55,105,000) in the "Global Strategies Equities Fund", a fund managed by a related party, Dubai International Capital LLC. The fair value loss of AED 62,871,000 (2007: AED 11,587,000) (Note 20) on this investment is included in the total net change in fair value amounting to AED 2,761,018,000 (2007: AED 222,733,000), which has been recognised directly in equity through a fair value reserve. Further, there was an impairment provision of AED 62,871,000 (2007: Nil) made on this investment and the amount has been recycled to the consolidated income statement.

In addition, there was an impairment provision of AED 884,325,000 (2007: Nil) made on other investments and the amount has been recycled to the consolidated income statement.

Available-for-sale financial assets include the following:

	<b>2008</b>	<b>2007</b>
	<b>AED'000</b>	<b>AED'000</b>
Unlisted equity funds	1,560,428	2,040,408
Public equities	247,322	968,699
Listed funds	-	151,433
Listed debt securities	-	33,548
	<u>1,807,750</u>	<u>3,194,088</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

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

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
US Dollar	1,803,813	2,972,852
Maltese Lira	-	184,981
UAE Dirham	3,937	36,255
	<u>1,807,750</u>	<u>3,194,088</u>

The fair value of the unlisted equity funds are based on the latest valuations as of 31 December 2008 provided by the fund managers. The fair values of listed securities are based on the bid-prices at year-end.

**13. DERIVATIVE FINANCIAL INSTRUMENTS**

	<u>2008</u>			<u>2007</u>		
	<b>Contract amount millions</b>	<b>Assets AED'000</b>	<b>Liabilities AED'000</b>	<b>Contract amount millions</b>	<b>Assets AED'000</b>	<b>Liabilities AED'000</b>
<b>Derivatives</b>						
Foreign currency forwards	USD 227			-		
	EUR 25	15,816	-	-	-	-
Cross currency swap contracts						
Pay	CHF 339			CHF 339		
	Euro 1,024			Euro 1,024		
Receive	USD 1,575	-	955,034	USD 1,575	-	696,945
Pay	USD 2,207			USD 1,957		
Receive	CHF 239			-		
	EUR 750			EUR 750		
	GBP 500	606,488	508,210	GBP 500	747,973	-
Interest rate swap contracts	USD 865	5,593	353,140	USD 570	-	70,811
Structured equity option		2,412	-		55,343	-
<b>Designated as cash flow hedges</b>						
Interest rate swap contracts	USD 83			USD 117		
	AED 142	-	12,020	AED 188	6,493	4,281
Total		<u>630,309</u>	<u>1,828,404</u>		<u>809,809</u>	<u>772,037</u>
Less: current portion		<u>(2,412)</u>	<u>-</u>		<u>(55,343)</u>	<u>-</u>
Non-current portion		<u>627,897</u>	<u>1,828,404</u>		<u>754,466</u>	<u>772,037</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

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 and CHF. The fair value of these contracts is recorded in the consolidated balance sheet and is determined by reference to the prices available from the markets in which the instruments are traded. The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity is more than 12 months and as a current asset or liability if the maturity is less than 12 months.

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

*(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 January 2014 and February 2017. The interest rate on the Swiss Franc ranges from 2.98% to 5.25% per annum (2007: 2.98%), the interest rate on the British Pound is 6% (2007: 6%) per annum and the interest rate on the Euro ranges between 3.67% and 4.75% (2007: 3.67% and 4.75%) per annum. Changes in the fair market value of the derivatives are recorded in the consolidated income statement.

*(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 2008, the fixed interest rates vary from 3.0% to 4.62% per annum (2007: 3.0% to 4.62%). The main floating rates are LIBOR linked.

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 and 2013. Changes in the fair market value are recognised in the hedging reserve in equity.

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 income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**14. TRADE AND OTHER RECEIVABLES**

	<b>2008</b>	<b>2007</b>
	<b>AED'000</b>	<b>AED'000</b>
<i>Current</i>		
Trade receivables, advances and prepayments (Note 15)	6,516,818	5,628,071
Loans receivable (Note 16)	3,275	2,650
Finance lease – net receivables (Note 17)	8,424	7,003
	<u>6,528,517</u>	<u>5,637,724</u>
<i>Non-current</i>		
Trade receivables, advances and other receivables (Note 15)	2,184,541	880,850
Accrued income	953,252	505,932
Loans receivable (Note 16)	34,414	14,397
Finance lease – net receivables (Note 17)	94,529	102,798
	<u>3,266,736</u>	<u>1,503,977</u>

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

	<b>2008</b>	<b>2007</b>
	<b>AED'000</b>	<b>AED'000</b>
<i>Current</i>		
Trade receivables	2,539,508	2,764,572
Less: provision for impairment of receivables	(257,521)	(196,575)
	<u>2,281,987</u>	<u>2,567,997</u>
Advances to suppliers	3,143,542	2,184,311
Prepayments	432,196	286,725
Other receivables	659,093	589,038
	<u>6,516,818</u>	<u>5,628,071</u>
<i>Non-current</i>		
Trade receivables	44,798	-
Advances to suppliers	1,796,415	312,165
Other receivables	343,328	568,685
	<u>2,184,541</u>	<u>880,850</u>

The Group has a broad base of customers with no concentration of credit risk within trade receivables at 31 December 2008 and 2007.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2008** (continued)

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

As at 31 December 2008, trade receivables of AED 1,937,335,000 (2007: AED 1,920,672,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2008, trade receivables of AED 389,450,000 (2007: AED 646,511,000) 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>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Up to 3 months	208,763	392,452
3 to 6 months	95,631	76,472
Over 6 months	85,056	177,587
	<u>389,450</u>	<u>646,511</u>

As of 31 December 2008, trade receivables of AED 257,521,000 (2007: AED 197,389,000) were impaired and provided for. The amount of the provision was AED 257,521,000 as of 31 December 2008 (2007: AED 196,575,000). The ageing analysis of these trade receivables is as follows:

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Up to 6 months	1,536	3,180
Over 6 months	255,985	194,209
	<u>257,521</u>	<u>197,389</u>

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
UAE Dirham	2,384,923	2,595,196
US Dollar	4,815	6,354
Maltese Lira	191,838	158,953
Others	2,730	4,069
	<u>2,584,306</u>	<u>2,764,572</u>

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
At 1 January	196,575	124,944
Provision for impairment of receivables	115,532	70,581
Receivables written-off	(53,573)	(3,568)
Unused amounts reversed	(1,871)	(476)
Exchange difference	858	5,094
	<u>257,521</u>	<u>196,575</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

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

The creation and release of the provision for impaired receivables have been included in the consolidated income statement. 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.

**16. LOANS RECEIVABLE**

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Loan receivable	37,689	17,047
Less: current portion	(3,275)	(2,650)
Non-current portion	<u>34,414</u>	<u>14,397</u>

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 the year 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 this loan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2008** (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. At the end of the first period (usually 10 years) the investors have the right to buy the properties at a bargain option price. The leases carry interest linked to LIBOR.

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
At 1 January	109,801	116,512
Additions	875	1,546
Repayments	(7,549)	(8,770)
Exchange differences	(174)	513
	<u>102,953</u>	<u>109,801</u>
At 31 December	102,953	109,801
Less: current portion	(8,424)	(7,003)
	<u>94,529</u>	<u>102,798</u>

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Within one year	12,021	10,667
After one year but not more than five years	42,402	40,006
More than five years	74,408	89,359
	<u>128,831</u>	<u>140,032</u>
Unearned future finance income on finance leases	(25,878)	(30,231)
Net investment in finance leases	<u>102,953</u>	<u>109,801</u>

The net investment in finance leases is analysed as follows:

Within one year	8,424	7,003
After one year but not more than five years	30,663	26,567
More than five years	63,866	76,231
	<u>102,953</u>	<u>109,801</u>

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>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Raw materials	43,987	-
Goods held for sale	22,607	-
Operating supplies	35,473	32,043
Food and beverage	22,337	21,394
Engineering supplies	5,940	4,744
	<u>130,344</u>	<u>58,181</u>
Less: provision for slow moving inventories	(3,024)	(4,195)
	<u>127,320</u>	<u>53,986</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

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

	<b>Land AED'000</b>	<b>Work-in- progress AED'000</b>	<b>Total AED'000</b>
At 1 January 2007	27,378,101	6,658,356	34,036,457
Additions	-	3,401,592	3,401,592
Transfers from investment property (Note 6)	30,338	-	30,338
Transfers to investment property (Note 6)	(4,115,005)	(196,112)	(4,311,117)
Transfers from property, plant and equipment (Note 5)	-	17,883	17,883
Transfer to property, plant and equipment (Note 5)	(1,697,332)	(908,028)	(2,605,360)
Returned to the Government of Dubai (Note 29)	(866)	-	(866)
Sales	(4,838,379)	(4,100,475)	(8,938,854)
	<u>16,756,857</u>	<u>4,873,216</u>	<u>21,630,073</u>
At 31 December 2007	16,756,857	4,873,216	21,630,073
Additions	4,943	5,649,308	5,654,251
Transfer from investment property (Note 6)	3,453	-	3,453
Transfers to investment property (Note 6)	(1,386,958)	(462,644)	(1,849,602)
Transfers from property, plant and equipment (Note 5)	11,174,977	2,085,889	13,260,886
Transfer to property, plant and equipment (Note 5)	(531,584)	(1,051,940)	(1,583,524)
Transfer from non-current assets 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)
	<u>23,532,859</u>	<u>8,934,097</u>	<u>32,466,956</u>
At 31 December 2008	<u>23,532,859</u>	<u>8,934,097</u>	<u>32,466,956</u>

At 31 December 2008, 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 of AED 1,736,617,000 (2007: Nil). The impairment charge and write-off were included within other operating expenses (Note 40).

**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:

	<b>2008 AED'000</b>	<b>2007 AED'000</b>
<b>Parent company</b>		
Interest expense (Note 41)	78,294	224,685
Interest income (Note 41)	72,715	68,029
Dividend declared (Note 34)	1,543,813	1,220,060
<b>Other related parties</b>		
Management fee (Note 38)	26,530	38,262
Fair value (loss)/gain on available-for-sale financial assets	(1,991,620)	339,721
Available-for-sale financial assets made during the year (Note 12)	1,500,000	1,114,707

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

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

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
<b>Other related parties</b> (continued)		
Sale of property	9,390	161,131
<b>Joint ventures and associates</b>		
Project management fee income	13,000	-
Real estate revenue from associate	38,483	-
Transfer of land	-	222,119
Transfer of project costs	-	226,114
Dividends received	218,336	100,631
Write-off of receivable balances	187,267	-

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 income statement, 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. During 2007, the Group also transferred a project under development to a joint venture at cost. The construction costs of the project at the date of transfer amounted to AED 226,114,000.

	<b>2008</b> <b>AED'000</b>	<b>2007</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	158,511	136,127
Termination and post employment benefits	10,021	6,324
	<u>168,532</u>	<u>142,451</u>

(c) **Due from related parties comprises:**

Due from the parent company	1,280,379	1,299,683
Due from joint ventures	142,064	546,430
Due from other related parties	171,035	327,432
Due from associates	38,597	37,446
	<u>1,632,075</u>	<u>2,210,991</u>
Loans to the parent company	1,504,323	1,269,726
Loan to an associate	365,874	205,750
Loans to other related parties	598,276	-
	<u>4,100,548</u>	<u>3,686,467</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

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

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 3.3% and 7.5% (2007: 5.3% and 6.3%) per annum.

Balances due from related parties, including loans receivable are all denominated in AED Dirham and are fully performing at 31 December 2008 and 2007.

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
<b>(d) Due to related parties comprises:</b>		
Due to the parent company	326,301	153,389
Due to other related parties	622,963	44,825
Due to joint ventures	9,190	7,469
	<u>958,454</u>	<u>205,683</u>
Loans from related parties (see below)	517,263	1,833,477
	<u>1,475,717</u>	<u>2,039,160</u>
Analysed between:		
Current	1,475,717	1,946,498
Non-current	-	92,662
	<u>1,475,717</u>	<u>2,039,160</u>
The movement in loans from related parties is as follows:		
Balance at 1 January	1,833,477	10,320,093
Repayment of loan principal	(1,316,214)	(8,486,616)
	<u>517,263</u>	<u>1,833,477</u>
The maturity of loans from related parties is as follows:		
Due within one year	517,263	1,740,815
Due 1 - 2 years	-	92,662
	<u>517,263</u>	<u>1,833,477</u>

The effective interest charged on loans from related parties ranged from 3% to 8.6% per annum (2007: 5.5% to 6.0%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**21. CASH AND CASH EQUIVALENTS**

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Cash and bank balances including call deposits	1,261,550	3,884,033
Short-term fixed deposits	1,055,216	7,753,348
	<u>2,316,766</u>	<u>11,637,381</u>

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Cash and cash equivalents	2,316,766	11,637,381
Bank overdrafts (Note 28)	(1,223,856)	(1,682,443)
	<u>1,092,910</u>	<u>9,954,938</u>

Bank accounts are held with locally incorporated banks and branches of international banks. Short-term fixed and call deposits bear interest ranging from 1.5% to 7.5% per annum (2007: 1.25% to 7.4% per annum).

**22. NON-CURRENT ASSETS HELD FOR SALE**

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Land held for sale	-	60,901
Building and infrastructure held for sale	1,382	-
Investment in an associate	3,571	538
	<u>4,953</u>	<u>61,439</u>

*Investment in an associate*

The Group reassessed the fair value of its investment in Datatrak following the publicly announced restructuring plan. This resulted in reversal of impairment loss of AED 3,033,000.

*Building and infrastructure held for sale*

During the year buildings and infrastructure amounting to AED 1,382,000 (Note 5) were transferred from property, plant and equipment. These are properties of a commercial nature and the Group has formally entered into agreements to sell.

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At 31 December 2007, non-current assets held for sale consisted of land at Qawra, Malta amounting to AED 60,901,000. Management's intentions was to dispose the land, but the period to complete the disposal has extended beyond one year from the date of classification due to circumstances which were beyond the Group's control. Accordingly this land has been re-classified as property held for development and sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**23. SHARE CAPITAL**

The total authorised and issued share capital of the Company comprises 2,000,000 shares (2007: 300 shares) of AED 1,000 each. During the year, contributed capital of AED 1,999,700,000 has been converted to share capital. All shares are fully paid-up.

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
<b>24. CONTRIBUTED CAPITAL</b>		
At 1 January	2,855,409	2,855,409
Converted to share capital	(1,999,700)	-
Additional contribution during the year	31,439	-
	<hr/>	<hr/>
At 31 December	887,148	2,855,409
	<hr/> <hr/>	<hr/> <hr/>

**25. OTHER RESERVES**

Statutory reserve (Note 26)	554,638	380,327
Translation reserve (Note 27)	219,114	585,932
Fair value reserve	347	473,203
Hedge reserve	(14,639)	1,816
Other reserve	3,474,708	3,476,921
	<hr/>	<hr/>
	4,234,168	4,918,199
	<hr/> <hr/>	<hr/> <hr/>

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 was included under "Other reserve".

**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 legal 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 income statement.

**28. BORROWINGS**

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Bank overdrafts (Note 21)	1,223,856	1,682,443
Bank borrowings	5,523,315	3,765,506
European medium term notes	9,601,445	10,441,765
	<hr/>	<hr/>
	16,348,616	15,889,714
Less: current portion	(5,500,014)	(4,281,464)
	<hr/>	<hr/>
Non-current portion	10,848,602	11,608,250
	<hr/> <hr/>	<hr/> <hr/>

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

#### 28. BORROWINGS (continued)

The Group has not had any defaults of principle, interest, redemption amounts or other breaches during the year on its borrowed funds (2007: 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:

	2008 AED'000	2007 AED'000
Within 3 months	5,261,513	8,117,338
After three months but not more than one year	2,957,098	114,029
After one year but not more than 5 years	732,675	46,727
	<u>8,951,286</u>	<u>8,278,094</u>

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

Within 1 year	5,500,014	4,281,464
After one year but not more than five years	7,908,763	3,700,771
More than five years	2,939,839	7,907,479
	<u>16,348,616</u>	<u>15,889,714</u>

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	
	2008 AED'000	2007 AED'000	2008 AED'000	2007 AED'000
Bank overdrafts (Note 21)	1,223,856	1,682,443	1,223,856	1,682,443
Bank borrowings	5,523,315	3,765,506	5,523,315	3,765,506
European medium term notes	9,601,445	10,441,765	6,264,721	10,078,652
	<u>16,348,616</u>	<u>15,889,714</u>	<u>13,011,892</u>	<u>15,526,601</u>

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

	2008 AED'000	2007 AED'000
UAE Dirham	1,520,965	5,869,947
US Dollar	6,752,023	2,259,078
British Pound	2,686,065	3,612,658
Euro	4,122,452	4,022,749
Swiss franc	860,675	-
Japanese Yen	405,400	-
Maltese Lira	-	123,429
Others	1,036	1,853
	<u>16,348,616</u>	<u>15,889,714</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**28. BORROWINGS** (continued)

Interest rates on the above borrowings ranged from 2.68% to 6% (2007: 4% to 9.7%) per annum.

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

- Corporate guarantee of Dubai Holding LLC over an overdraft facility of USD 150 million,
- Certain current assets including receivables of a subsidiary,
- Promissory note of AED 50 million and counter indemnity,
- Certain assets of a subsidiary shall not be disposed all or part without the consent of a bank;
- Plant and machinery of a subsidiary, and
- Title for certain land held in the name of the ultimate shareholder.

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.

*European medium term notes*

	<b>Interest rate (%)</b>	<b>2008</b>	<b>2007</b>
		<b>AED'000</b>	<b>AED'000</b>
UAE Dirham 1 billion floating rate due in 2008	3M EIBOR + 23BP	-	999,584
Euro 750 million fixed rate due in 2014	4.75%	3,850,590	3,998,962
Pounds Sterling 500 million fixed rate due in 2017	6%	2,686,065	3,612,658
US Dollars 500 million floating rate due in 2012	3M US Libor + 37.5 BP	1,836,500	1,830,561
CHF 250 million fixed rate due in 2011	5.25%	860,675	-
JPY 10 billion floating rate due in 2013	3M YEN Libor + 1.75%	367,615	-
		<u>9,601,445</u>	<u>10,441,765</u>
Less: current portion		-	(999,584)
Non-current portion		<u>9,601,445</u>	<u>9,442,181</u>

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 2008** (continued)

**29. GOVERNMENT GRANTS**

(a) *Land*

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
At 1 January	58,012,281	65,185,677
Transferred to related parties (Note 6, 20)	(1,532)	(369)
Returned to the Government of Dubai (Notes 5, 6)	(409,036)	(511,847)
Received during the year	23,671,894	3,317,903
Released to income during the year	(13,669,059)	(9,979,083)
Adjustment relating to impairment	(3,700,000)	-
	<hr/>	<hr/>
At 31 December	63,904,548	58,012,281
Less: current portion	(1,858,180)	(8,064,776)
	<hr/>	<hr/>
Non-current portion	62,046,368	49,947,505
	<hr/> <hr/>	<hr/> <hr/>

(b) *Other grants*

During 2007, a cash grant of AED 15,439,000 was also received and released to consolidated income statement.

In the current year, 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 income statement.

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
<b>30. RETENTIONS PAYABLE</b>		
Retentions payable (Note 32)	1,701,205	1,113,296
Less: current portion	(657,621)	(286,009)
	<hr/>	<hr/>
Non-current portion	1,043,584	827,287
	<hr/> <hr/>	<hr/> <hr/>

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 approximate to their carrying amounts, as the impact of discounting is not significant.

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

At 1 January	147,922	108,550
Transfers in on acquisition of a subsidiary	185	727
Charge for the year	175,999	60,889
Transfer to a related party	(688)	(2,144)
Payments	(31,538)	(21,014)
Other movements	835	914
	<hr/>	<hr/>
At 31 December	292,715	147,922
Less: current portion (Note 32)	(15,809)	-
	<hr/>	<hr/>
Non-current portion	276,906	147,922
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

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

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 2008 and 2007, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE labour law. 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. Management has assumed average increment/promotion costs of 5% (2007: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 6% (2007: 6%).

**32. TRADE AND OTHER PAYABLES**

(a) *Trade and other payables*

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
Trade payables and accruals	4,462,365	2,914,210
Project related payables and accruals	5,734,638	2,755,131
Retentions payable (Note 30)	1,701,205	1,113,296
Other payables	2,990,549	1,714,191
Deferred revenue	14,148,254	6,856,355
Employees' end of service benefits (Note 31)	15,809	-
	<u>29,052,820</u>	<u>15,353,183</u>
Less: non-current portion	(14,798,567)	(7,365,248)
Current portion	<u>14,254,253</u>	<u>7,987,935</u>

(b) *Provision for other liabilities and charges*

Provision for termination of contracts (Note 40)	2,872,764	-
Restructuring costs (Note 40)	111,229	-
Provision for legal claims	40,000	-
	<u>3,023,993</u>	<u>-</u>

*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.

*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.

*Legal claim*

The provision relates to certain legal claims brought against one of the subsidiaries (Note 46). 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 2008.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**for the year ended 31 December 2008** (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 1,543,813,000 (2007: AED 1,220,060,000) was declared, of which AED 1,494,072,000 was paid in cash and AED 49,741,000 was dividend in kind by a transfer of land (Note 6) (2007: AED 1,220,060,000 was paid in cash).

**35. REVENUE**

	<b>Year ended 31 December 2008 AED'000</b>	<b>Year ended 31 December 2007 AED'000</b>
Property and land sales	6,194,225	13,836,192
Room revenue	1,810,097	1,724,192
Rental income (Note 6)	1,673,092	1,196,297
Food and beverages	1,329,247	1,070,713
Telecommunications, IT and related revenue	774,576	702,208
Commercial and sponsorship	648,126	501,960
Incorporation and government services	343,875	197,611
Other	802,770	684,699
	<u>13,576,008</u>	<u>19,913,872</u>

**36. OTHER OPERATING INCOME**

Unrealised foreign exchange gain	1,049,218	-
(Loss)/gain on fair value of derivative financial instruments	(1,206,473)	113,732
Gain on sale of derivatives	154,714	45,656
Realised foreign exchange gain	53,311	642
Land title transfer fees and late payment fees	191,413	14,196
Write back of credit balances	43,461	61,822
Gain on disposal of non-current assets held for sale (Note 22)	-	635,806
Gain on disposal property, plant and equipment	6,041	-
Gain on non-monetary contribution to a joint venture (Note 20)	-	222,119
Other income	352,817	389,216
	<u>644,502</u>	<u>1,483,189</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

	Year ended 31 December 2008 AED'000	Year ended 31 December 2007 AED'000
<b>37. PAYROLL AND OTHER BENEFITS</b>		
Salaries and allowances	1,787,566	1,279,819
End-of-service benefits and other benefits	811,589	622,510
	<u>2,559,155</u>	<u>1,902,329</u>
Included under:		
General and administrative expenses	1,472,992	1,022,510
Direct costs	1,086,163	879,819
	<u>2,559,155</u>	<u>1,902,329</u>
<b>38. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Payroll and related expenses	1,472,992	1,022,510
Depreciation and amortisation (Note 5,6,7)	692,155	609,214
Consultancy	505,608	293,680
Property operation and maintenance	237,495	178,547
Administration charges	214,490	236,338
Provision for impairment of receivables (Note 15)	115,532	70,581
Donations	50,010	190,301
Travel	40,117	43,552
Office rent	27,187	31,158
Management fee (Note 20)	26,530	38,262
Other expenses	347,905	326,706
	<u>3,730,021</u>	<u>3,040,849</u>
<b>39. MARKETING AND SELLING EXPENSES</b>		
Advertising	391,168	358,720
Promotions	269,797	238,539
Sales commissions	50,760	88,603
Sponsorship	46,416	30,345
Others	92,607	40,055
	<u>850,748</u>	<u>756,262</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

	Year ended 31 December 2008 AED'000	Year ended 31 December 2007 AED'000
<b>40. OTHER OPERATING EXPENSES</b>		
Provision for termination of contracts (Note 32)	2,872,764	-
Impairment on investment available-for-sale	2,289,801	-
Impairment on property held for development and sale (Note 19)	1,736,617	-
Impairment on property, plant and equipment (Note 5)	1,400,851	-
Impairment on investment in associates (Note 8)	2,091,001	-
Write-off of related parties receivables	187,267	-
Restructuring costs (Note 32)	111,229	-
Foreign exchange loss	32,551	459,271
Impairment charge on intangibles (Note 7)	28,105	-
Loss on sale of fixed assets	-	46,862
Loss on disposal of available for sale financial asset (Note 12)	3,775	-
Write-off of project costs	-	318,892
Others	422,940	241,317
	<u>11,176,901</u>	<u>1,066,342</u>
<b>41. FINANCE COSTS (NET)</b>		
<i>Interest expense</i>		
Interest on term notes	(505,175)	(472,880)
Other borrowings	(245,178)	(224,261)
Loans from parent company (Note 20)	(78,294)	(224,685)
Others	(57,793)	(13,178)
Finance costs	<u>(886,440)</u>	<u>(935,004)</u>
<i>Interest income</i>		
Term deposits	335,655	331,155
Funds advanced to related parties	72,715	68,029
<i>Other items</i>		
Interest income from available-for-sale financial assets	74,885	36,584
Others	13,696	14,829
Finance income	<u>496,951</u>	<u>450,597</u>
Finance costs (net)	<u>(389,489)</u>	<u>(484,407)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (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 income statement AED'000	Recognised in equity AED'000	Exchange differences AED'000	Balance at 31 December AED'000
<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)
	<u>(116,540)</u>	<u>-</u>	<u>35,697</u>	<u>(232)</u>	<u>3,309</u>	<u>(77,766)</u>
<b>2007</b>						
Property, plant and equipment	(42,415)	(1,054)	10,824	-	(3,824)	(36,469)
Provisions	30,344	-	(10,703)	-	2,492	22,133
Losses carried forward	3,088	2,495	(362)	-	860	6,081
Capital allowances carried forward	7,230	1,218	(5,518)	-	477	3,407
Investment tax credit	9,933	-	(3,971)	-	786	6,748
Fair value adjustments arising from acquisitions	(117,915)	(906)	12,564	-	(11,645)	(117,902)
Other short term timing differences	(1,686)	-	1,101	140	(93)	(538)
	<u>(111,421)</u>	<u>1,753</u>	<u>3,935</u>	<u>140</u>	<u>(10,947)</u>	<u>(116,540)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**42. TAXATION** (continued)

**42.2 Income tax expense**

	<b>Year ended 31 December 2008 AED'000</b>	<b>Year ended 31 December 2007 AED'000</b>
Current tax	(44,759)	(47,312)
Deferred tax	35,697	3,935
	<u>(9,062)</u>	<u>(43,377)</u>

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 2008 AED'000</b>	<b>Year ended 31 December 2007 AED'000</b>
Profit before tax	9,901,699	13,945,360
Of which profits relating to taxable jurisdictions are:	<u>72,281</u>	<u>208,353</u>
Tax calculated at domestic tax rates applicable to profits in respective countries: 35% (2007: 35%)	25,298	69,466
Release of deferred tax liability arising from acquisition	(12,099)	(12,564)
Expenses not deductible for tax purposes	1,940	7,494
Income not subject to tax and additional tax credits obtained	(281)	(26,314)
Tax losses for which no deferred tax asset was recognised	-	2,532
Prior period items	(5,363)	(1,570)
Brought forward losses utilised	-	(362)
Other permanent differences	(433)	4,695
	<u>9,062</u>	<u>43,377</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**43. BUSINESS COMBINATIONS**

*Nexgen Advisory Group FZ LLC (“neXgen”)*

On 23 October 2008, the Group acquired 51% of the share capital of neXgen. neXgen provides IT related advisory services to real estate and telecommunication sectors. The acquired business contributed revenues and a net loss of AED 3,332,000 and AED 254,000 respectively for the period from date of acquisition to 31 December 2008.

If the acquisition had occurred on 1 January 2008, the acquired business revenue and net loss would have been AED 11,317,000 and AED 2,225,000 respectively.

These amounts have been calculated using the Group’s accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2008, together with the consequential tax effects.

Details of the net assets acquired and goodwill are as follows:

	<b>AED’000</b>
Purchase consideration:	
Cash paid	18,368
Direct costs relating to acquisition	110
Total purchase consideration	<u>18,478</u>
Less: fair value of net assets acquired	<u>(14,212)</u>
Goodwill (Note 7)	<u><u>4,266</u></u>

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group’s acquisition.

The assets and liabilities as of 23 October 2008 arising from the acquisition are as follows:

	<b>Fair value AED’000</b>	<b>Acquiree’s carrying amount AED’000</b>
Property, plant and equipment (Note 5)	56	56
Trade name (Note 7)	7,331	-
Order backlog (Note 7)	9,132	-
Trade and other receivables	3,728	3,728
Cash and cash equivalents	10,614	10,614
Employees’ end of service benefits	(153)	(153)
Other current liabilities	(2,841)	(2,841)
Net assets	<u>27,867</u>	<u>11,404</u>
Minority interest (49%)	<u>(13,655)</u>	
Net assets acquired	<u><u>14,212</u></u>	
Purchase consideration settled in cash (including expenses)		18,478
Cash and cash equivalents in subsidiary acquired		<u>(10,614)</u>
Cash outflow on acquisition		<u><u>7,864</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**43. BUSINESS COMBINATIONS** (continued)

*Box Office ME*

On 1st January 2008, the Group acquired 80% of the share capital of Box Office FZ LLC, a company engaged in sale of tickets for events on behalf of its clients. The acquired business contributed revenues and a net profit of AED 30,240,000 and AED 101,000 respectively for the period from date of acquisition to 31 December 2008.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2008, together with the consequential tax effects.

Details of the net assets acquired and goodwill are as follows:

	<b>AED'000</b>
Purchase consideration:	
Cash paid	2,377
Less: fair value of net assets acquired	(1,050)
	<u>1,327</u>
Goodwill (Note 7)	<u>1,327</u>

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group's acquisition.

The assets and liabilities as of 1 January 2008 arising from the acquisition are as follows:

	<b>Fair value AED'000</b>	<b>Acquiree's carrying amount AED'000</b>
Property, plant and equipment (Note 5)	35	35
Computer software	184	-
Trade name	1,079	-
Trade and other receivables	1,435	1,435
Cash and cash equivalents	1,232	1,232
Employees' end of service benefits	(32)	(32)
Other current liabilities	(2,621)	(2,621)
Net assets	<u>1,312</u>	49
Minority interest (20%)	(262)	
Net assets acquired	<u>1,050</u>	
Purchase consideration settled in cash		2,377
Cash and cash equivalents in subsidiary acquired		(1,232)
Cash outflow on acquisition		<u>1,145</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2008** (continued)

**44. COMMITMENTS**

*(a) Investment commitments*

As at 31 December 2008, the Group had commitments to invest in private equity funds of AED 258,740,000 (2007: AED 119,372,000) (Note 12).

*(b) Other commitments*

The Group has commitments of AED 34,233,593,000 (2007: AED 33,968,847,000) for projects in progress. These commitments represent the value of contracts issued at 31 December 2008 net of invoices received and accruals made at that date.

*(c) Operating lease rentals*

At 31 December 2008, commitments under non-cancellable operating leases were:

	<b>Year ended 31 December 2008 AED'000</b>	<b>Year ended 31 December 2007 AED'000</b>
Within 1 year	34,194	48,334
After one year but not more than five years	73,547	196,657
More than five years	1,666	2,924
	<u>109,407</u>	<u>247,915</u>

**45. GUARANTEES**

The Group has issued bank and other guarantees in the normal course of business amounting to AED 159,460,000 (2007: AED 212,335,000).

**46. CONTINGENCIES**

*Legal claim*

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 USD 1.5 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. 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 a provision of AED 50 million representing only the direct costs claimed as incurred by the customer.

*Termination liability*

The Group is liable to pay termination 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 total estimated exposure to termination liability relating to certain contracts is AED 1.5 billion. Based on managements' best estimate of the liabilities, a provision of AED 750 million has been recorded. In addition, provisions of AED 2.2 billion have been recorded relating to other contracts terminations where the full estimated exposure could not be quantified.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2008 (continued)

**47. CASH GENERATED FROM OPERATIONS**

	Notes	Year ended 31 December 2008 AED'000	Year ended 31 December 2007 AED'000
Profit for the year before income tax		9,831,185	13,945,360
<b>Adjustments for:</b>			
Depreciation and amortisation	5,6,7	993,222	966,026
(Gain)/loss on sale of property, plant and equipment		(6,041)	46,862
Loss/(profit) on sale of investment property		8,110	(97,401)
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	3,347,729	112,811
Impairment charge and write-off on associates	8	2,094,679	-
Impairment charge on available-for-sale financial assets		2,292,771	-
Loss on disposal of available-for-sale financial assets		3,775	-
Loss/(gain) on valuation of derivative financial instruments	13	1,219,412	(298,755)
Provision for other liabilities and charges	32 (b)	3,023,993	-
Share of loss from associates and joint ventures	8, 9	96,631	234,231
Government grants released to income	29	(19,215,661)	(9,994,522)
Provision for impairment of receivables and inventories	15, 18	59,775	67,506
Provision for employees' end of service benefits	31	175,999	60,889
Foreign exchange movements		(945,350)	8,870
Interest income	41	(496,951)	(414,013)
Interest expense	41	886,440	935,004
Gain on non-monetary contribution to a joint venture		-	(222,119)
Gain on disposal on non-current assets held for sale		-	(635,806)
		<b>3,369,718</b>	<b>4,714,943</b>
Increase in non-current trade and other receivables including accrued income	15	(1,751,011)	(88,852)
Decrease/(increase) in non-current assets held for sale	22	(371)	5,024
Increase in non-current deferred revenue	32	6,957,921	6,440,576
Increase in non-current retentions payable	30	216,297	534,204
Increase in non-current trade and other payables	32	259,101	-
<b>Changes in working capital</b>			
Trade and other receivables before provisions and write-offs	15	(916,032)	(2,440,038)
Inventories before movement in provisions	18	(72,163)	(5,996)
Property held for development and sale net of government grants and transfers	19	(2,762,250)	5,537,262
Due from related parties	20	578,916	134,007
Due to related parties	20	751,386	(870,435)
Trade and other payables excluding project accruals	32	2,526,506	2,392,525
Advances from customers	33	513,760	2,703,344
Retentions payable	30	371,612	22,766
<b>Cash generated from operations</b>		<b>10,043,390</b>	<b>19,079,330</b>

Significant non-cash transactions during the year include:

- (i) Government grants of land, property, plant and equipment amounting to AED 23,671,894,000 (2007: AED 3,317,903,000) were received during the year.
- (ii) Government grants of AED 19,215,661,000 (2007: AED 9,979,083,000) were released to the consolidated income statement during the year.
- (iii) Nil (2007: AED 222,119,000) relating to land contributed to a joint venture (Note 20).
- (iv) Sale proceeds of Nil (2007: AED 872 million) from the Dubai Pearl disposal remain outstanding at the year end.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**48. SEGMENT INFORMATION**

(a) *Primary reporting format – business segments*

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	716,424	14,121,624
Inter-segment revenue	(23,464)	(512,731)	-	(9,421)	(545,616)
Revenue	<u>8,522,044</u>	<u>3,566,991</u>	<u>779,970</u>	<u>707,003</u>	<u>13,576,008</u>
Segment results	3,664,731	1,817,712	338,891	395,768	6,217,102
Other income					19,860,163
Unallocated operating expenses					(15,757,670)
Operating profit					10,319,595
Interest expense					(886,440)
Interest income					496,951
Share of loss of associates and joint ventures					(98,921)
Profit before income tax					9,916,763
Income tax expense					(9,062)
Profit for the year					<u>9,822,123</u>
Depreciation and amortisation	<u>362,054</u>	<u>412,661</u>	<u>171,800</u>	<u>46,707</u>	<u>993,222</u>
Non-cash expenses other than depreciation and amortisation	<u>8,328,429</u>	<u>778,543</u>	<u>61,177</u>	<u>64,294</u>	<u>9,232,443</u>

The segment results for the year ended 31 December 2007 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	15,661,438	3,273,495	711,751	541,283	20,187,967
Inter-segment revenue	(228,075)	(11,706)	(597)	(33,717)	(274,095)
Revenue	<u>15,433,363</u>	<u>3,261,789</u>	<u>711,154</u>	<u>507,566</u>	<u>19,913,872</u>
Segment results	5,558,840	1,997,797	283,712	209,391	8,049,740
Other income					11,477,711
Unallocated operating expenses					(4,863,453)
Operating profit					14,663,998
Interest expense					(935,004)
Interest income					450,597
Share of loss of associates	(39,320)	-	(194,911)	-	(234,231)
Profit before income tax					13,945,360
Income tax expense					(43,377)
Profit for the year					<u>13,901,983</u>
Depreciation and amortisation	<u>210,075</u>	<u>392,177</u>	<u>171,228</u>	<u>28,238</u>	<u>801,718</u>
Non-cash expenses other than depreciation and amortisation	<u>265,371</u>	<u>82,455</u>	<u>210,592</u>	<u>37,322</u>	<u>595,740</u>

## Dubai Holding Commercial Operations Group LLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2008 (continued)

#### 48. SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments (continued)

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 2008 and capital expenditure for the year then ended are as follows:

	Real estate AED'000	Hospitality AED'000	Telecomm- unications AED'000	Media AED'000	Unallocated AED'000	Total AED'000
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
Total assets	148,539,988	8,044,408	11,263,149	897,531	2,692,058	171,437,134
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	14,933	16,930,606

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Real estate AED'000	Hospitality AED'000	Telecomm- unications AED'000	Media AED'000	Unallocated AED'000	Total AED'000
Assets	117,738,801	8,136,184	2,434,488	689,812	868,263	129,867,548
Associates	3,678	-	10,241,647	-	-	10,245,325
Total assets	117,742,479	8,136,184	12,676,135	689,812	868,263	140,112,873
Liabilities	86,927,647	1,546,875	9,723,144	269,548	11,736,370	110,203,584
Capital expenditure	8,924,270	162,369	119,352	238,740	-	9,444,731

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2008 (continued)

**48. SEGMENT INFORMATION** (continued)

(b) *Secondary reporting format – geographical segments*

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>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
<b>Revenue</b>		
UAE	12,836,706	19,228,859
Europe	705,239	669,635
Other	34,063	15,378
	<u>13,576,008</u>	<u>19,913,872</u>

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

	<b>2008</b> <b>AED'000</b>	<b>2007</b> <b>AED'000</b>
<b>Total assets</b>		
UAE	156,187,441	126,072,939
Europe	1,003,818	1,439,096
Other	202,955	2,355,513
	<u>157,394,214</u>	<u>129,867,548</u>
Associates	14,042,920	10,245,325
	<u>171,437,134</u>	<u>140,112,873</u>

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

<b>Capital expenditure</b>		
UAE	15,724,398	8,503,388
Europe	191,735	224,944
Other	1,014,473	716,399
	<u>16,930,606</u>	<u>9,444,731</u>

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