

**Emaar Properties PJSC
and its Subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 JUNE 2013

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Emaar Properties PJSC (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2013, comprising of the interim consolidated statement of financial position as at 30 June 2013 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, the related statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review


We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to notes 13 (ii) and 13 (iii) to the interim condensed consolidated financial statements regarding the Group’s investment in Amlak Finance PJSC. Our conclusion is not qualified in respect of this matter.



Signed by
Anthony O'Sullivan
Partner
Registration No. 687

Dubai, United Arab Emirates
6 August 2013

Emaar Properties PJSC and its Subsidiaries

**Unaudited Interim Condensed Consolidated Financial Statements
For the Period Ended 30 June 2013**

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Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2013 (Unaudited)

(US \$1.00 = AED 3.673)

| | Note | <i>Six month period ended</i> | | <i>Three month period ended</i> | |
|--|------|-------------------------------|------------------|---------------------------------|------------------|
| | | <i>30 June</i> | <i>30 June</i> | <i>30 June</i> | <i>30 June</i> |
| | | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| | | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Revenue | 4 | 5,218,630 | 3,920,854 | 3,109,120 | 2,100,027 |
| Cost of revenue | 4 | (2,734,876) | (1,723,035) | (1,741,697) | (964,702) |
| GROSS PROFIT | | 2,483,754 | 2,197,819 | 1,367,423 | 1,135,325 |
| Other operating income | | 169,040 | 135,390 | 78,136 | 79,833 |
| Other operating expenses | | (72,592) | (63,903) | (41,228) | (38,392) |
| Selling, general and administrative expenses | 5 | (1,107,994) | (860,381) | (577,489) | (438,765) |
| Finance income | 6 | 189,470 | 178,829 | 96,116 | 92,865 |
| Finance costs | | (311,348) | (364,383) | (162,523) | (194,574) |
| Other income | | (27,148) | 56,535 | (4,533) | 36,897 |
| Share of results of associates and joint ventures | | (82,058) | (68,659) | (62,629) | (47,713) |
| PROFIT BEFORE TAX | | 1,241,124 | 1,211,247 | 693,273 | 625,476 |
| Income tax (expense) /credit | | (8,203) | 7,218 | (11,902) | (15,599) |
| NET PROFIT FOR THE PERIOD | | 1,232,921 | 1,218,465 | 681,371 | 609,877 |
| ATTRIBUTABLE TO: | | | | | |
| Owners of the parent | | 1,230,813 | 1,219,841 | 674,949 | 614,291 |
| Non-controlling interests | | 2,108 | (1,376) | 6,422 | (4,414) |
| | | 1,232,921 | 1,218,465 | 681,371 | 609,877 |
| Earnings per share attributable to the owners of the parent: | | | | | |
| - basic and diluted earnings per share (AED) | | 0.20 | 0.20 | 0.11 | 0.10 |

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2013 (Unaudited)

(US \$1.00 = AED 3.673)

| | Note | Six month period ended | | Three month period ended | |
|---|------|----------------------------|----------------------------|----------------------------|----------------------------|
| | | 30 June 2013 AED'000 | 30 June 2012 AED'000 | 30 June 2013 AED'000 | 30 June 2012 AED'000 |
| Net profit for the period | | 1,232,921 | 1,218,465 | 681,371 | 609,877 |
| Other comprehensive income / (loss) to be reclassified to income statement in subsequent periods: | | | | | |
| Increase / (decrease) in hedging reserve | 18 | 27,632 | (29,531) | 31,983 | (29,712) |
| Decrease in unrealised gains / (losses) reserve | | (577) | (4,053) | (351) | (3,149) |
| Decrease in foreign currency translation reserve | | (357,272) | (432,734) | (352,280) | (548,574) |
| Net other comprehensive loss to be reclassified to income statement in subsequent periods | | (330,217) | (466,318) | (320,648) | (581,435) |
| Other comprehensive income / (loss) not to be reclassified to income statement in subsequent periods: | | | | | |
| Increase / (decrease) in unrealised gains / (losses) reserve | | 158,840 | 27,838 | 43,085 | (35,352) |
| Realised gain on fair value movement through other comprehensive income | | 12,246 | 25,514 | 5,258 | 6,464 |
| Net other comprehensive income / (loss) not to be reclassified to income statement in subsequent periods | | 171,086 | 53,352 | 48,343 | (28,888) |
| Total comprehensive income / (loss) for the period | | 1,073,790 | 805,499 | 409,066 | (446) |
| ATTRIBUTABLE TO: | | | | | |
| Owners of the parent | | 1,108,703 | 820,015 | 440,622 | 14,827 |
| Non-controlling interests | | (34,913) | (14,516) | (31,556) | (15,273) |
| | | 1,073,790 | 805,499 | 409,066 | (446) |

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

(US \$1.00 = AED 3.673)

| | Note | 30 June 2013 AED'000 (Unaudited) | 31 December 2012 AED'000 (Audited) |
|---|------|---|---|
| ASSETS | | | |
| Bank balances and cash | 7 | 6,578,542 | 3,710,561 |
| Trade receivables | 8 | 413,862 | 958,608 |
| Other assets, receivables, deposits and prepayments | 9 | 2,760,353 | 2,600,569 |
| Development properties | 10 | 26,256,685 | 26,998,226 |
| Investments in securities | 11 | 719,486 | 1,264,924 |
| Loans to associates and joint ventures | 12 | 3,223,981 | 3,104,026 |
| Investments in associates and joint ventures | 13 | 6,042,076 | 6,428,367 |
| Property, plant and equipment | | 8,086,797 | 8,209,114 |
| Investment properties | | 7,889,038 | 7,830,730 |
| Goodwill | | 46,066 | 46,066 |
| TOTAL ASSETS | | 62,016,886 | 61,151,191 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Trade and other payables | 14 | 8,240,209 | 8,277,985 |
| Advances from customers | | 7,960,696 | 7,631,764 |
| Retentions payable | | 611,931 | 698,744 |
| Interest-bearing loans and borrowings | 15 | 6,388,861 | 6,212,555 |
| Convertible notes - liability component | 16 | 1,793,542 | 1,785,947 |
| Sukuk | 17 | 3,649,907 | 3,647,597 |
| Provision for employees' end-of-service benefits | | 87,744 | 77,269 |
| TOTAL LIABILITIES | | 28,732,890 | 28,331,861 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 6,091,239 | 6,091,239 |
| Employees' performance share program | | (1,684) | (1,684) |
| Reserves | 18 | 14,465,507 | 14,599,863 |
| Convertible notes - equity component | 16 | 37,155 | 37,155 |
| Retained earnings | | 12,441,302 | 11,807,367 |
| Non-controlling interests | | 250,477 | 285,390 |
| TOTAL EQUITY | | 33,283,996 | 32,819,330 |
| TOTAL LIABILITIES AND EQUITY | | 62,016,886 | 61,151,191 |

The interim condensed consolidated financial statements were authorised for issue on 6 August 2013 by the Board of Directors and signed on their behalf by:

Chairman

Director

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2013 (Unaudited)

(US \$1.00 = AED 3.673)

Attributable to the owners of the parent

| | Share capital AED '000 | Employees' performance share program AED '000 | Reserves AED '000 | Convertible notes - equity component AED '000 | Retained earnings AED '000 | Total equity AED '000 | Non-controlling interests AED '000 | Total equity AED '000 |
|---|---------------------------|--|----------------------|--|-------------------------------|--------------------------|---------------------------------------|--------------------------|
| Balance as at 31 December 2012 (Audited) | 6,091,239 | (1,684) | 14,599,863 | 37,155 | 11,807,367 | 32,533,940 | 285,390 | 32,819,330 |
| Net profit for the period | - | - | - | - | 1,230,813 | 1,230,813 | 2,108 | 1,232,921 |
| Other comprehensive (loss)/ income for the period | - | - | (134,356) | - | 12,246 | (122,110) | (37,021) | (159,131) |
| Total comprehensive (loss) / income for the period | - | - | (134,356) | - | 1,243,059 | 1,108,703 | (34,913) | 1,073,790 |
| Dividend (Note 19) | - | - | - | - | (609,124) | (609,124) | - | (609,124) |
| Balance as at 30 June 2013 | 6,091,239 | (1,684) | 14,465,507 | 37,155 | 12,441,302 | 33,033,519 | 250,477 | 33,283,996 |
| Balance as at 31 December 2011 (Audited) | 6,091,239 | (1,684) | 14,706,735 | 37,155 | 10,474,790 | 31,308,235 | 280,672 | 31,588,907 |
| Net profit/ (loss) for the period | - | - | - | - | 1,219,841 | 1,219,841 | (1,376) | 1,218,465 |
| Other comprehensive (loss)/ income for the period | - | - | (425,340) | - | 25,514 | (399,826) | (13,140) | (412,966) |
| Total comprehensive (loss)/ income for the period | - | - | (425,340) | - | 1,245,355 | 820,015 | (14,516) | 805,499 |
| Dividend | - | - | - | - | (609,124) | (609,124) | - | (609,124) |
| Balance as at 30 June 2012 | 6,091,239 | (1,684) | 14,281,395 | 37,155 | 11,111,021 | 31,519,126 | 266,156 | 31,785,282 |

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

Emaar Properties PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2013 (Unaudited)

(US \$1.00 = AED 3.673)

For the six month period ended

| | 30 June 2013 AED'000 | 30 June 2012 AED'000 |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Profit before tax for the period | 1,241,124 | 1,211,247 |
| Adjustments for: | | |
| Share of results of associates and joint ventures | 82,058 | 68,659 |
| Depreciation | 382,464 | 393,142 |
| Provision for end-of-service benefits, net | 10,475 | 3,631 |
| Loss on disposal of property, plant and equipment | 922 | 3,977 |
| Finance costs | 311,348 | 364,383 |
| Finance income | 6 (189,470) | (178,829) |
| Cash from operations before working capital changes: | 1,838,921 | 1,866,210 |
| Trade receivables, net | 522,211 | 64,266 |
| Other assets, receivables, deposits and prepayments | (232,907) | (1,044) |
| Development properties, net | 648,573 | (510,210) |
| Advances from customers, net | 351,467 | (115,770) |
| Trade and other payables | (45,486) | (183,254) |
| Retentions payable | (86,813) | (85,220) |
| Income tax, net | (3,437) | (3,545) |
| Net cash flows from operating activities | 2,992,529 | 1,031,433 |
| Cash flows from investing activities | | |
| Purchase of securities | (3,512) | (8,332) |
| Proceeds from disposal of securities | 720,036 | 498,490 |
| Finance income received | 132,897 | 52,649 |
| Dividend received from associates and joint ventures | 43,194 | 43,194 |
| Additional investments in and loans to associates and joint ventures, net | (1,240) | (142,288) |
| Amounts incurred on investment properties | (5,208) | (16,493) |
| Purchase of property, plant and equipment | (263,888) | (199,538) |
| Proceeds from disposal of property, plant and equipment | 782 | 1,891 |
| Deposits maturing after three months (including deposits under lien) | 7 (2,517,431) | (1,554,470) |
| Net cash flows used in investing activities | (1,894,370) | (1,324,897) |
| Cash flows from financing activities | | |
| Dividend paid | (583,749) | (575,230) |
| Proceeds from interest-bearing loans and borrowings | 15 415,671 | 5,656,917 |
| Repayment of interest-bearing loans and borrowings | 15 (239,365) | (4,228,276) |
| Finance costs paid | (294,806) | (376,596) |
| Net cash flows (used in) / from financing activities | (702,249) | 476,815 |
| Increase in cash and cash equivalents | 395,910 | 183,351 |
| Net foreign exchange difference | (45,360) | (34,515) |
| Cash and cash equivalents at the beginning of the period | 2,351,743 | 1,079,559 |
| Cash and cash equivalents at the end of the period | 7 2,702,293 | 1,228,395 |

The accompanying notes 1 to 24 form an integral part of these interim condensed consolidated financial statements.

1 DOMICILE AND ACTIVITIES

Emaar Properties Public Joint Stock Company (the "Company" or the "Parent") was established as a public joint stock company by Ministerial Decree number 66 in the year 1997. The Company was established on 23 June 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group (the "Group"). The Company's registered office is at P.O. Box 9440, Dubai, United Arab Emirates ("UAE"). The shares of the Company are traded on the Dubai Financial Market.

The principal activities of the Group are property investment and development, shopping malls and retail, hospitality, property management and utility services and investments in providers of financial services.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* and applicable requirements of United Arab Emirates law.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Results for the six month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Certain comparative amounts in selling, general and administrative expenses and other income have been reclassified to other operating expenses and other operating income respectively to conform to the presentation used in these interim condensed consolidated financial statements.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where all the following criteria are met:

- (a) the Company has power over an entity;
- (b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) the Company has the ability to use its power over the entity to affect the amount of the Company's returns.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Share of comprehensive income/loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated income statement; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the consolidated income statement or retained earnings, as appropriate.

Associated companies and joint ventures

Associated companies are companies in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group's investment in the associated companies and joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments in associated companies and joint ventures are carried in the interim consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associated and joint venture companies, less any impairment in value.

The interim consolidated income statement reflects the Group's share of results of its associates and joint ventures. Unrealised profits and losses resulting from transactions between the Group and associated companies and its joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES AND ASSUMPTIONS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments and estimates and assumptions that have a significant impact on the interim condensed consolidated financial statements of the Group are discussed below:

Judgments

Revenue recognition for real estate units

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of real estate units as set out in IAS 18 *Revenue*, IFRIC 15 *Agreements for the Construction of Real Estate* and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the real estate units.

Revenue recognition for leases

Lease income from operating leases is recognised in the interim consolidated income statement in accordance with the terms of the lease contracts with the tenants over the lease term on a systematic basis as management is of the opinion that this method is more representative of the time pattern in which benefits are derived from the leased asset.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES AND ASSUMPTIONS
(continued)

Judgments (continued)

Revenue recognition for turnover rent

The Group recognises income from turnover rent on the basis of audited turnover reports submitted by the tenants. In the absence of audited reports, management makes its own assessment about the tenants achieving or exceeding the stipulated turnover in the lease contracts based on their historical performance.

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

Classification of investment properties

The Group determines whether a property qualifies as investment property in accordance with IAS 40 *Investment Property*. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. The Group has determined that hotels and serviced apartment buildings owned by the Group are to be classified as part of property, plant and equipment rather than investment properties since the Group also operates these assets.

Transfer of real estate assets from property, plant and equipment to development properties

The Group sells real estate assets in its ordinary course of business. When the real estate assets which were previously classified as property, plant and equipment are identified for sale in the ordinary course of business, then the assets are transferred to development properties at their carrying value at the date of identification and become held for sale. Sale proceeds from such assets are recognised as revenue in accordance with IAS 18 *Revenue*.

Operating lease commitments - Group as lessor

The Group has entered into commercial and retail property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortised cost. In judging whether investments in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments*.

Consolidation of subsidiaries

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10 : *Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Estimations and assumptions

Valuation of investment properties

The Group hires the services of third party professionally qualified valuers to obtain estimates of the market value of investment properties using recognised valuation techniques for the purposes of their impairment review and disclosures in the consolidated financial statements.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Useful lives of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Taxes

The Group is subject to income and capital gains taxes in certain jurisdictions. Significant judgment is required to determine the total provision for current and deferred taxes. The Group established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations issued by the International Accounting Standard Board ("IASB") and effective for annual periods beginning on or after 1 January 2013.

New standards, interpretations and amendments adopted by the Group:

The Group has applied certain standards interpretations and amendments for the first time, which include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments also apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and impact of each of such new standards, interpretations and amendments is described below:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group: (continued)

IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to interim consolidated income statement at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Presentation of Financial Statements - Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements. The amendment had no impact on the presentation of Group's interim condensed consolidated financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting - Segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group has made the required disclosure in the interim condensed consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group: (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 has no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The application of this new standard has no impact on the financial position of the Group as the Group's investments in jointly controlled entities were accounted using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements. The application of IFRS 12 would result in additional disclosures in the annual consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures have affected the presentation in these interim condensed consolidated financial statements.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Selected accounting policies

The following significant accounting policies are reproduced from the Group's consolidated financial statements as at 31 December 2012:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the interim consolidated income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. The specific criteria described below must also be met before revenue is recognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition (continued)***Sale of property*

The Group recognises revenue when it is probable that the economic benefits from the sale will flow to the Group, the revenue and costs can be measured reliably and the risks and rewards of ownership of the property have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

In jurisdictions where the Group transfers risks and rewards of ownership of the property in its entirety at a single point of time, revenue and the associated costs are recognised at that point of time. Although this trigger is determined by reference to the sales contract and the relevant local laws, and so may differ from transaction to transaction, in general the Group determines the point of recognition to be the time at which the buyer is entitled to take possession of the property.

In jurisdictions where the Group transfers to the buyer the control and the significant risks and rewards of ownership of the work-in-progress in its current state as the work progresses, the revenues and related costs of development are recognised on a progressive basis using the percentage of completion method.

Lease to buy scheme

Sales under the lease to buy scheme are accounted for as follows:

- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase;
- When the lessee exercises its option to purchase, a sale is recognised in accordance with the revenue recognition policy for sale of property as stated above; and
- When recognising the sale, revenue is the amount payable by the lessee at the time of exercising the option to acquire the property.

Rental income from lease of investment property

Rental income from investment properties is recognised, net of discount, in accordance with the terms of the lease contracts over the lease term on a systematic basis, as this method is more representative of the time pattern in which use of benefit are derived from the leased assets.

Hospitality revenue

Revenue from hotel accommodation, food and beverages and other related services are recognised, net of discount and municipality fees, at the point at which the services are rendered.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

| | |
|--|---------------|
| Leasehold improvements | 2 - 15 years |
| Sales centers (included in land and buildings) | 1 - 5 years |
| Buildings | 10 - 45 years |
| Computers and office equipment | 2 - 5 years |
| Plant, machinery and heavy equipment | 3 - 20 years |
| Motor vehicles | 3 - 5 years |
| Furniture and fixtures | 2 - 10 years |
| Leisure, entertainment and other assets | 2 - 25 years |

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

No depreciation is charged on land and capital work-in-progress. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the interim consolidated income statement as the expense is incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the interim consolidated income statement. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property, plant and equipment in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

| | |
|------------------------|---------------|
| Buildings | 10 - 45 years |
| Furniture and fixtures | 4 - 10 years |

No depreciation is charged on land.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Properties are transferred from investment properties to development properties when and only when, there is a change in use, evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the interim consolidated income statement. The recoverable amount is the higher of investment property's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an investment property in an arm's length transaction less related costs while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the investment property and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development properties

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of development properties recognised in the interim consolidated income statement on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The management reviews the carrying values of the development properties on an annual basis.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the interim consolidated income statement immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the interim consolidated income statement depends on the nature of the hedge relationship. The Group designates derivatives as hedges of interest rate risk and foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of interest rate risk and foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the interim consolidated income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the interim consolidated statement of comprehensive income relating to the hedged item.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the interim consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the interim consolidated income statement. Amounts previously recognised in the interim consolidated statement of comprehensive income and accumulated in equity are reclassified to the interim consolidated income statement in the periods when the hedged item is recognised in the interim consolidated income statement, in the same line of the interim consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through other comprehensive income or profit or loss, which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32: *Financial Instruments: Presentation*) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Equity investments

All financial assets that are equity investments are measured at fair value either through other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 - Phase I or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments is not recycled. Dividend income for all equity investments is recorded through the interim consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the interim consolidated income statement.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the interim consolidated income statement. For financial assets designated at fair value through other comprehensive income any foreign exchange component is recognised in the interim consolidated statement of comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item in the interim consolidated income statement.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired,
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement,
- The Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For financial assets carried at amortised cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the interim consolidated income statement. Interest income on such financial assets continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated income statement. Financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the interim consolidated income statement.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the interim consolidated income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the interim consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the interim consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Sukuk

The sukuk are stated at amortised cost using the effective interest rate method. Profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Convertible notes

Convertible notes are convertible into share capital, at the option of the holder, are accounted for as compound financial instruments. The net proceeds received from the issue of convertible notes are separated into liability and equity components based on the terms of the contract at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible notes. The difference between the proceeds of issue of the convertible notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in equity and is not remeasured. The liability component is carried at amortised cost using the effective interest method until extinguishment upon conversion or at the instrument's maturity date.

Issue costs are apportioned between the liability and equity components of the convertible notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible notes to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible notes.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the interim consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at fair value on the date of acquisition. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the interim consolidated income statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39: *Financial Instruments: Recognition and Measurement* in the interim consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable tangible and intangible assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Fair value of interest rate swap contract is determined by reference to market value for similar instruments.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 June 2013 (Unaudited)

3 SEGMENT INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Business segments

For management purposes, the Group is organised into three major segments, namely, real estate (develop and sell condominiums, villas, commercial units and plots of land), leasing and related activities (develop, lease and manage malls, retail, commercial and residential spaces) and hospitality (develop, own and/or manage hotels, serviced apartments and leisure activities). Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments*. These businesses are property management and utility services, information technology and investments in providers of financial services.

Revenue from sources other than property sales, leasing and related activities and hospitality are included in other operating income.

Geographic segments

The Group is currently developing a number of international business opportunities outside the UAE that will have a significant impact in future years.

The domestic segment includes business activities and operations in the UAE and the international segment includes business activities and operations outside the UAE.

Business segments

The following tables include revenue, profit/(loss), and other segment information for the six month and three month periods ended 30 June 2013 and 2012. Assets and liabilities of the business segments are presented as at 30 June 2013 and 31 December 2012.

| | <i>Real estate</i> <i>AED'000</i> | <i>Leasing and related activities</i> <i>AED'000</i> | <i>Hospitality</i> <i>AED'000</i> | <i>Others</i> <i>AED'000</i> | <i>Total</i> <i>AED'000</i> |
|---|--------------------------------------|---|--------------------------------------|---------------------------------|--------------------------------|
| Six-month period ended | | | | | |
| 30 June 2013: | | | | | |
| Revenue | | | | | |
| Revenue from external customers | 2,892,031 | 1,555,381 | 771,218 | - | 5,218,630 |
| Results | | | | | |
| Contribution for the period | 247,222 | 892,368 | 192,634 | 82,000 | 1,414,224 |
| Unallocated selling, general and administrative expenses | | | | | (188,928) |
| Unallocated finance income, net | | | | | 15,828 |
| Profit before tax for the period | | | | | 1,241,124 |
| Other segment information | | | | | |
| Capital expenditure (property, plant and equipment and investment properties) | 81,629 | 82,497 | 89,108 | 15,862 | 269,096 |
| Depreciation (property, plant and equipment and investment properties) | 66,354 | 192,161 | 100,506 | 23,443 | 382,464 |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

| | <i>Real estate</i> <i>AED'000</i> | <i>Leasing and related activities</i> <i>AED'000</i> | <i>Hospitality</i> <i>AED'000</i> | <i>Others</i> <i>AED'000</i> | <i>Total</i> <i>AED'000</i> |
|---|--------------------------------------|---|--------------------------------------|---------------------------------|--------------------------------|
| Three-month period ended | | | | | |
| 30 June 2013: | | | | | |
| Revenue | | | | | |
| Revenue from external customers | 1,948,637 | 806,174 | 354,309 | - | 3,109,120 |
| Results | | | | | |
| Contribution for the period | 219,208 | 477,191 | 59,174 | 36,878 | 792,451 |
| Unallocated selling, general and administrative expenses | | | | | (104,590) |
| Unallocated finance income, net | | | | | 5,412 |
| Profit before tax for the period | | | | | 693,273 |
| Assets and liabilities | | | | | |
| As at 30 June 2013 | | | | | |
| Segment assets | 44,856,431 | 10,147,468 | 4,675,866 | 2,337,121 | 62,016,886 |
| Segment liabilities | 22,939,692 | 5,024,519 | 666,929 | 101,750 | 28,732,890 |
| | <i>Real estate</i> <i>AED'000</i> | <i>Leasing and related activities</i> <i>AED'000</i> | <i>Hospitality</i> <i>AED'000</i> | <i>Others</i> <i>AED'000</i> | <i>Total</i> <i>AED'000</i> |
| Six-month period ended | | | | | |
| 30 June 2012: | | | | | |
| Revenue | | | | | |
| Revenue from external customers | 1,907,112 | 1,294,000 | 719,742 | - | 3,920,854 |
| Results | | | | | |
| Contribution for the period | 428,975 | 731,321 | 172,309 | 79,587 | 1,412,192 |
| Unallocated selling, general and administrative expenses | | | | | (125,071) |
| Unallocated finance income, net | | | | | (75,874) |
| Profit before tax for the period | | | | | 1,211,247 |
| Other segment information | | | | | |
| Capital expenditure | | | | | |
| (property, plant and equipment and investment properties) | 32,391 | 102,239 | 73,229 | 8,172 | 216,031 |
| Depreciation | | | | | |
| (property, plant and equipment and investment properties) | 65,301 | 214,004 | 101,274 | 12,563 | 393,142 |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

3 SEGMENT INFORMATION (continued)

Business segments (continued)

| | <i>Real estate AED'000</i> | <i>Leasing and related activities AED'000</i> | <i>Hospitality AED'000</i> | <i>Others AED'000</i> | <i>Total AED'000</i> |
|--|--------------------------------|---|--------------------------------|---------------------------|--------------------------|
| Three-month period ended | | | | | |
| 30 June 2012: | | | | | |
| Revenue | | | | | |
| Revenue from external customers | 1,141,211 | 642,204 | 316,612 | - | 2,100,027 |
| Results | | | | | |
| Contribution for the period | 285,367 | 357,792 | 47,710 | 63,607 | 754,476 |
| Unallocated selling, general and administrative expenses | | | | | (74,482) |
| Unallocated finance cost, net | | | | | (54,518) |
| Profit before tax for the period | | | | | 625,476 |
| Assets and liabilities | | | | | |
| <i>As at 31 December 2012</i> | | | | | |
| Segment assets | 43,674,214 | 10,395,480 | 4,678,379 | 2,403,118 | 61,151,191 |
| Segment liabilities | 22,324,254 | 5,229,330 | 674,736 | 103,541 | 28,331,861 |

Geographic segments

The following tables include revenue and other segment information for the six month and three month periods ended 30 June 2013 and 30 June 2012. Certain asset information for geographic segments is presented as at 30 June 2013 and 31 December 2012.

| | <i>Domestic AED'000</i> | <i>International AED'000</i> | <i>Total AED'000</i> |
|--|-----------------------------|----------------------------------|--------------------------|
| Six-month period ended 30 June 2013: | | | |
| Revenue | | | |
| Revenue from external customers | 4,653,015 | 565,615 | 5,218,630 |
| Other Segment Information | | | |
| Capital expenditure (property, plant and equipment and investment properties) | 242,832 | 26,264 | 269,096 |
| Three-month period ended 30 June 2013: | | | |
| Revenue | | | |
| Revenue from external customers | 2,822,101 | 287,019 | 3,109,120 |
| Assets | | | |
| <i>As at 30 June 2013</i> | | | |
| Segment assets | 35,952,788 | 20,022,022 | 55,974,810 |
| Investments in associates and joint ventures | 1,549,916 | 4,492,160 | 6,042,076 |
| Total assets | 37,502,704 | 24,514,182 | 62,016,886 |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

3 SEGMENT INFORMATION (continued)

Geographic segments (continued)

| | <i>Domestic</i> <i>AED '000</i> | <i>International</i> <i>AED '000</i> | <i>Total</i> <i>AED '000</i> |
|---|------------------------------------|---|---------------------------------|
| <i>Six-month period ended 30 June 2012:</i> | | | |
| Revenue | | | |
| Revenue from external customers | 3,447,727 | 473,127 | 3,920,854 |
| Other segment information | | | |
| Capital expenditure (property, plant and equipment and investment properties) | 197,705 | 18,326 | 216,031 |
| <i>Three-month period ended 30 June 2012:</i> | | | |
| Revenue | | | |
| Revenue from external customers | 1,835,416 | 264,611 | 2,100,027 |
| Assets | | | |
| <i>As at 31 December 2012</i> | | | |
| Segment assets | 34,903,905 | 19,818,919 | 54,722,824 |
| Investment in associates and joint ventures | 1,560,879 | 4,867,488 | 6,428,367 |
| Total assets | 36,464,784 | 24,686,407 | 61,151,191 |

4 REVENUE AND COST OF REVENUE

| | <i>Six month period ended</i> | | <i>Three month period ended</i> | |
|---|--|--|--|--|
| | <i>30 June</i> <i>2013</i> <i>AED '000</i> | <i>30 June</i> <i>2012</i> <i>AED '000</i> | <i>30 June</i> <i>2013</i> <i>AED '000</i> | <i>30 June</i> <i>2012</i> <i>AED '000</i> |
| Revenue | | | | |
| Revenue from property sales | | | | |
| Sale of condominiums, commercial units, plots of land and others | 2,261,017 | 1,427,408 | 1,626,351 | 815,555 |
| Sale of villas | 631,014 | 479,704 | 322,286 | 325,656 |
| Revenue from hospitality | 771,218 | 719,742 | 354,309 | 316,612 |
| Rental income from leased properties and related income | 1,555,381 | 1,294,000 | 806,174 | 642,204 |
| | <u>5,218,630</u> | <u>3,920,854</u> | <u>3,109,120</u> | <u>2,100,027</u> |
| Cost of revenue | | | | |
| Cost of revenue of property sales | | | | |
| Cost of condominiums, commercial units, plots of land and others | 1,552,319 | 753,625 | 1,116,511 | 433,490 |
| Cost of villas | 480,336 | 321,380 | 267,552 | 214,446 |
| Operating cost of hospitality | 412,359 | 402,216 | 210,991 | 194,289 |
| Operating cost of leased properties | 289,862 | 245,814 | 146,643 | 122,477 |
| | <u>2,734,876</u> | <u>1,723,035</u> | <u>1,741,697</u> | <u>964,702</u> |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

| | <i>Six month period ended</i> | | <i>Three month period ended</i> | |
|---|-------------------------------|----------------|---------------------------------|----------------|
| | <i>30 June</i> | <i>30 June</i> | <i>30 June</i> | <i>30 June</i> |
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Depreciation of property, plant and equipment | 253,067 | 227,068 | 132,088 | 112,265 |
| Sales and marketing expenses | 214,952 | 83,392 | 94,616 | 38,954 |
| Payroll and related expenses | 202,743 | 165,518 | 115,024 | 90,061 |
| Depreciation of investment properties | 129,397 | 166,074 | 64,595 | 84,770 |
| Property management expenses | 118,554 | 109,827 | 62,799 | 57,405 |
| Land registration fees | 17,437 | 8,573 | 12,396 | 3,987 |
| Other expenses | 171,844 | 99,929 | 95,971 | 51,323 |
| | <u>1,107,994</u> | <u>860,381</u> | <u>577,489</u> | <u>438,765</u> |

6 FINANCE INCOME

| | <i>Six month period ended</i> | | <i>Three month period ended</i> | |
|---|-------------------------------|----------------|---------------------------------|----------------|
| | <i>30 June</i> | <i>30 June</i> | <i>30 June</i> | <i>30 June</i> |
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Finance income on fixed deposits with banks | 21,975 | 35,793 | 11,227 | 19,905 |
| Other finance income | 167,495 | 143,036 | 84,889 | 72,960 |
| | <u>189,470</u> | <u>178,829</u> | <u>96,116</u> | <u>92,865</u> |

7 BANK BALANCES AND CASH

| | <i>30 June</i> | <i>31 December</i> |
|---|------------------|--------------------|
| | <i>2013</i> | <i>2012</i> |
| | <i>AED'000</i> | <i>AED'000</i> |
| | | <i>(Audited)</i> |
| Cash in hand | 6,190 | 7,727 |
| Current and call bank deposit accounts | 2,353,078 | 1,135,802 |
| Fixed deposits maturing within three months | 343,025 | 1,208,214 |
| Cash and cash equivalents | <u>2,702,293</u> | <u>2,351,743</u> |
| Deposits under lien (Note 15) | 76,574 | 76,408 |
| Fixed deposits maturing after three months | 3,799,675 | 1,282,410 |
| | <u>6,578,542</u> | <u>3,710,561</u> |
| Bank balances and cash located: | | |
| Within UAE | 6,045,209 | 3,362,535 |
| Outside UAE | 533,333 | 348,026 |
| | <u>6,578,542</u> | <u>3,710,561</u> |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

7 BANK BALANCES AND CASH (continued)

Bank balances and cash are denominated in the following currencies:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|-----------------------------------|-------------------------------------|---|
| United Arab Emirates Dirham (AED) | 6,045,209 | 3,362,535 |
| United States Dollar (USD) | 260,723 | 97,515 |
| Saudi Riyal (SAR) | 151,673 | 97,189 |
| Egyptian Pound (EGP) | 56,766 | 47,908 |
| Syrian Pound (SYP) | 8,384 | 31,239 |
| Moroccan Dirham (MAD) | 16,221 | 35,231 |
| Other currencies | 39,566 | 38,944 |
| | <u>6,578,542</u> | <u>3,710,561</u> |

Cash at banks earn interest at floating rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Fixed deposits maturing after three months earn interest at rates between 1.09% and 2.35% per annum (31 December 2012: 1.4% and 2.4% per annum).

Bank balances maintained in the UAE includes an amount of AED 97,464 thousands (31 December 2012: AED 96,102 thousands) committed for investments in a project in Syria and are in line with the Central Bank of Syria regulations.

The Company is required to maintain certain deposits/balances amounting to AED 1,801,784 thousands (31 December 2012: AED 674,093 thousands) with banks in UAE for financing facilities obtained by the Group, unclaimed dividends and advances received from customers against sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

8 TRADE RECEIVABLES

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|--|-------------------------------------|---|
| Amounts receivable within 12 months, net | 332,973 | 735,964 |
| Amounts receivable after 12 months, net | 80,889 | 222,644 |
| | <u>413,862</u> | <u>958,608</u> |

Trade receivables include AED 168,682 thousands (31 December 2012: AED 191,519 thousands) relating to sale of properties where the amounts are payable in installments and these installments are accrued but not yet due under agreed credit terms.

The above trade receivables are net of AED 99,285 thousands (31 December 2012: AED 122,392 thousands) relating to provision for doubtful debts representing management's best estimate of doubtful trade receivables which are past due for more than 90 days. All other receivables are considered recoverable.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

9 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|--|-------------------------------------|---|
| Advances for acquisition of leasehold interest | 1,234,612 | 1,234,612 |
| Advances to contractors and others | 543,336 | 406,321 |
| Value added tax recoverable | 312,482 | 312,196 |
| Receivables from Communities Owner Associations | 127,270 | 93,026 |
| Prepayments | 108,272 | 108,987 |
| Inventory - Hospitality and Retail business segments | 88,211 | 90,698 |
| Deposits for acquisition of land | 64,074 | 64,074 |
| Deferred income tax assets | 41,157 | 38,388 |
| Recoverable from non-controlling interests | 26,412 | 26,247 |
| Accrued interest and other income receivables | 24,918 | 7,778 |
| Other receivables and deposits | 189,609 | 218,242 |
| | <u>2,760,353</u> | <u>2,600,569</u> |
| Amounts recoverable within 12 months | 1,466,896 | 1,305,816 |
| Amounts recoverable after 12 months | 1,293,457 | 1,294,753 |
| | <u>2,760,353</u> | <u>2,600,569</u> |

10 DEVELOPMENT PROPERTIES

| | <i>30 June 2013 AED'000</i> | |
|---|-------------------------------------|---|
| Balance at the beginning of the period | 26,998,226 | |
| Add: cost incurred during the period, net | 1,384,082 | |
| Less: cost transferred to property, plant and equipment | (67,706) | |
| Less: cost transferred to cost of revenue during the period | (2,032,655) | |
| Less: transferred to investment property | (25,262) | |
| Balance at the end of the period | <u>26,256,685</u> | |
| | | <i>30 June 2013 AED'000</i> |
| Development properties located: | | <i>31 December 2012 AED'000 (Audited)</i> |
| Within UAE | 13,089,019 | 13,843,544 |
| Outside UAE | 13,167,666 | 13,154,682 |
| | <u>26,256,685</u> | <u>26,998,226</u> |

11 INVESTMENTS IN SECURITIES

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Financial assets at fair value through other comprehensive income | 679,486 | 540,601 |
| Financial assets at amortised cost | 40,000 | 724,323 |
| | <u>719,486</u> | <u>1,264,924</u> |
| <i>Investments in securities located:</i> | | |
| Within UAE | 681,639 | 1,218,442 |
| Outside UAE | 37,847 | 46,482 |
| | <u>719,486</u> | <u>1,264,924</u> |

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets at fair value through other comprehensive income by valuation technique:

| | <i>Total AED'000</i> | <i>Level 1 AED'000</i> | <i>Level 2 AED'000</i> | <i>Level 3 AED'000</i> |
|----------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| 30 June 2013 | <u>679,486</u> | <u>97,960</u> | <u>559,824</u> | <u>21,702</u> |
| 31 December 2012 (Audited) | <u>540,601</u> | <u>60,640</u> | <u>458,259</u> | <u>21,702</u> |

Level 1: Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices). Valuations for level 2 investments in securities have been derived by determining their redemption value which is generally net asset value per share of the investee companies.

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers made between Level 1 and Level 2 during the year.

Financial assets at fair value through other comprehensive income include fund investments managed by an external fund manager. Equity investments are in quoted, unquoted and index linked securities.

12 LOANS TO ASSOCIATES AND JOINT VENTURES

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Amlak Finance PJSC (i) | 240,803 | 242,968 |
| Emaar MGF Land Limited and its related parties (ii) | 2,807,022 | 2,688,985 |
| Golden Ace Pte Ltd (iii) | 167,387 | 163,455 |
| Other associates and joint ventures | 8,769 | 8,618 |
| | <u>3,223,981</u> | <u>3,104,026</u> |

- (i) The amount due from Amlak Finance PJSC (“Amlak”) is unsecured and earned a return of 1.75% per annum (31 December 2012: 1.45% per annum).

During 2012, Emaar received full settlement of outstanding receivable amounts of AED 326,344 thousands overdue from Amlak for which debit notes, carrying non-settlement charges on the outstanding amounts, had been issued. Those receivables related to Emaar’s customers’ under construction milestone payments for real estate projects developed by Emaar which had been mortgaged by Amlak.

The Group’s management believes that the remaining loan due from Amlak is fully recoverable (also refer Note 13 (ii) and 13 (iii)).

- (ii) The amount due from Emaar MGF Land Limited (“EMGF”) and its related parties include an amount of AED 2,031,871 thousands (31 December 2012: AED 1,965,360 thousands) which is secured against certain development properties of EMGF. The loans to EMGF and its related parties earn a compound return ranging from 7% to 15% per annum other than on Compulsory Convertible Debentures (refer Note 13 (i)) (31 December 2012: compound return ranging from 7% to 15% per annum).
- (iii) The amount owed by Golden Ace Pte Ltd is unsecured and earns an average return ranging from 4.17% to 9.50% per annum (31 December 2012: average return ranging from 4.21% to 9.73% per annum). The other promoter of Golden Ace Pte Ltd has indemnified the Group for any non recovery of amount advanced by the Group and the Group currently hold certain shares of the other promoter group held in EMGF as a security for such indemnification.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 June 2013 (Unaudited)

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Carrying value of investment in: | | |
| Associates: | | |
| Emaar MGF Land Limited (i) | 2,031,763 | 2,428,825 |
| Emaar The Economic City (Saudi Joint Stock Company) - quoted | 2,221,619 | 2,191,353 |
| Amlak Finance PJSC - quoted [(ii) & (iii)] | 727,337 | 723,875 |
| Emaar Industries and Investment (Pvt) JSC | 122,662 | 136,791 |
| Dead Sea Company for Tourist and Real Estate Investment | 134,842 | 135,200 |
| Emrill Services LLC | 27,342 | 20,800 |
| Other associates | 103,936 | 112,111 |
| | <u>5,369,501</u> | <u>5,748,955</u> |
| Joint Ventures: | | |
| Emaar Bawadi LLC | 434,890 | 436,133 |
| Turner International Middle East Ltd | 237,685 | 243,279 |
| | <u>672,575</u> | <u>679,412</u> |
| | <u><u>6,042,076</u></u> | <u><u>6,428,367</u></u> |

- (i) During 2012, the Group had invested an amount of USD 49,975 thousands (AED 183,560 thousands) into 5% Compulsory Convertible Debentures ("CCD") issued by EMGF. These CCDs can be converted into equity shares of EMGF after the expiry of six months from the date of allotment of the CCDs at the discretion of the Group. It is mandatory to convert these CCDs into equity shares on the date of issue of any draft red herring prospectus by EMGF, or on expiry of 10 years from the date of allotment if the above option of early conversion is not exercised.
- (ii) The Consortium of Depositors and Financiers of Amlak Finance PJSC ("Amlak") have elected some of its members to a Coordinating Committee ("Committee") in connection with certain proposals relating to the restructuring of existing facilities availed by Amlak. The Governmental Steering Committee established to look into the status of some public joint stock companies in UAE including Amlak has approved the establishment of the Committee including its composition. The Committee will seek to facilitate discussion between Amlak and its Depositors/Financiers relating to the financing arrangements of Amlak. Trading in Amlak's shares on the Dubai Financial Market have been suspended until these discussions are finalised. The Group's management is not in a position to assess its investment for any impairment pending the finalisation of the discussions of the Committee.
- (iii) The auditors have issued a qualified opinion on the consolidated financial statements of Amlak as of 31 December 2011 with respect to valuation of investment properties and advances for investment properties amounting to AED 3,297 million and AED 792 million, respectively. Management of Amlak believes that property prices have generally declined since these assets were acquired but are unable to quantify the amount of decline in view of the limited number of transactions currently taking place in the market and accordingly continued to carry such assets at their acquisition cost.

14 TRADE AND OTHER PAYABLES

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Project contract cost accruals and provisions | 3,757,989 | 4,294,507 |
| Payable to non-controlling interests | 977,638 | 927,059 |
| Trade payables | 916,965 | 736,481 |
| Creditors for land purchase | 597,007 | 572,052 |
| Dividends payable | 137,744 | 112,369 |
| Deferred income tax payable | 34,029 | 24,006 |
| Income tax payable | 8,558 | 11,995 |
| Other payables and accruals | 1,810,279 | 1,599,516 |
| | <u>8,240,209</u> | <u>8,277,985</u> |

15 INTEREST-BEARING LOANS AND BORROWINGS

| | <i>30 June 2013 AED'000</i> |
|---|-------------------------------------|
| Balance at the beginning of the period | 6,212,555 |
| Borrowings drawn down during the period | 415,671 |
| Borrowings repaid during the period | (239,365) |
| Balance as at period end | <u>6,388,861</u> |

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|-------------------------------|-------------------------------------|---|
| Maturing within 12 months | 1,595,039 | 1,558,176 |
| Maturing after 12 months | 4,793,822 | 4,654,379 |
| Balance as at period/year-end | <u>6,388,861</u> | <u>6,212,555</u> |

The above represent balances due:

| | <i>30 June 2013</i> | <i>31 December 2012</i> |
|-------------|-------------------------|-----------------------------|
| Within UAE | 4,379,783 | 4,304,698 |
| Outside UAE | 2,009,078 | 1,907,857 |
| | <u>6,388,861</u> | <u>6,212,555</u> |

15 INTEREST-BEARING LOANS AND BORROWINGS (continued)

The Group has the following secured and unsecured interest-bearing loans and borrowings:

Secured

- Indian Rupees (INR) 352,250 thousands (AED 21,699 thousands) loan from financial institutions, secured by way of first charge on certain property, plant and equipment and receivables in India, carries interest at benchmark rate plus 3.33% per annum. This loan is payable in quarterly installments and is fully repayable by 2016.

- Canadian Dollar (CAD) 4,606 thousands (AED 16,072 thousands) loan from a financial institution, secured against certain development properties owned by the Group in Canada, carries interest at prime rate plus 3.25% per annum and is repayable by 2015.

- USD 50,000 thousands (AED 183,650 thousands) loan from a commercial bank, secured against certain development properties owned by the Group in Turkey and a bank guarantee, carries interest at 6.95% per annum and is repayable in 2014.

- USD 167,205 thousands (AED 614,144 thousands) loan from a commercial bank, secured against certain property, plant and equipment owned by the Group in UAE, carries interest at USD LIBOR plus 1.85% per annum and is repayable by 2021.

- USD 57,348 thousands (AED 210,639 thousands) loan from a commercial bank, secured against certain property, plant and equipment owned by the Group in UAE, carries interest at USD LIBOR plus 1.55% per annum and is repayable by 2021.

USD 41,848 thousands (AED 153,708 thousands) of Syndicated facility, secured against certain investment properties owned by the Group in Turkey, at LIBOR plus 4% per annum and fully repayable by 2019.

- AED 3,555,000 thousands of Syndicated facility, secured against certain investment properties owned by the Group in UAE, carries interest at EIBOR plus 3.50% per annum and is fully repayable by 2019. The bank has a lien on certain cash collaterals amounting to AED 66,154 thousands (Note 7). One of the subsidiaries of the Group has given an irrevocable undertaking to deposit the proceeds of its revenue into the specific account maintained with a financing bank.

- Pakistani Rupee (PKR) 775,000 thousands (AED 28,675 thousands) loan from a commercial bank, secured against receivables from projects in Pakistan, carries interest at KIBOR plus 1.25% per annum and is fully repayable by 2014. The bank has a lien on certain cash collaterals amounting to AED 10,420 thousands (Note 7).

- USD 41,366 thousands (AED 151,937 thousands) loan from a commercial bank, secured against certain assets in Lebanon and carries interest at 7.5% per annum and is repayable by 2016.

Unsecured

- PKR 857,166 thousands (AED 31,715 thousands) loan from commercial banks, bearing interest at KIBOR plus 1.65% per annum and is repayable in 2013.

- PKR 1,176,500 thousands (AED 43,531 thousands) loan from a commercial bank, bearing interest at KIBOR plus 1.65% per annum and is repayable in 2013.

- PKR 768,993 thousands (AED 28,453 thousands) loan from a commercial bank, bearing interest at KIBOR plus 1.65% per annum and is repayable by 2013.

- PKR 2,429,573 thousands (AED 89,894 thousands) loan from a commercial bank, bearing interest at KIBOR plus 1.3% per annum and is fully repayable by 2014.

- Egyptian Pound (EGP) 1,153,694 thousands (AED 603,613 thousands) of funding facilities from commercial banks in Egypt, carries interest at rates of 12.75% to 13.25% per annum and repayable by 2019.

- USD 160,303 thousands (AED 588,794 thousands) of funding facility from commercial banks in Egypt, carries interest at 3.5% to 5.75% per annum and is repayable by 2015.

- USD 10,000 thousands (AED 36,730 thousands) of funding facility from commercial banks in Turkey, carries interest at 6% per annum and is repayable by 2014.

- USD 8,333 thousands (AED 30,607 thousands) of funding facility from commercial banks in Turkey, carries interest at USD LIBOR plus 3.75% per annum and is repayable by 2014.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

16 CONVERTIBLE NOTES

The Company has issued guaranteed convertible notes ("the Notes") in 2010 for USD 500,000 thousands (AED 1,836,500 thousands) through its wholly-owned subsidiary Pyrus Limited (Pyrus), a British Virgin Island incorporated company. The Notes were approved by the Company's shareholders at an Extraordinary General Meeting held on 8 November 2010. The Notes mature on 20 December 2015 and have a fixed interest rate of 7.5% per annum, to be paid quarterly. The Notes were admitted on the official list of the Luxembourg Stock Exchange (LSE) and admitted to trade on the Euro MTF market of the LSE on 20 December 2010.

The Notes issued are unconditionally and irrevocably guaranteed by the Company (the Guarantor). Each Note entitles the holder an option to convert such Note into new and/or existing shares between the period from 30 January 2011 till 25 November 2015 (final maturity date for conversion) as fully paid at a conversion price of AED 4.38 per share of the Company. Unless previously purchased and cancelled, redeemed or converted, the Notes will be redeemed at their principal amount on the final maturity date.

The Notes are hybrid financial instrument and the option to convert is an embedded derivative. The carrying value of the Notes on initial recognition is based on the net proceeds of issuance of the Notes reduced by the fair value of the embedded derivatives and is subsequently carried at amortised cost.

The embedded derivatives are separated from the carrying value of the Notes as their risks and characteristics are not closely related to those of the Notes and the Notes are not carried at fair value. The embedded derivatives and the Notes are presented under a separate line item in the interim consolidated statement of financial position.

The Notes are presented in the interim consolidated statement of financial position as follows:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Liability component as at period/year-end | <u>1,793,542</u> | <u>1,785,947</u> |
| Equity component as at period/ year-end | <u>37,155</u> | <u>37,155</u> |

17 SUKUK

Emaar Sukuk Limited (the "Issuer"), a limited liability company registered in the Cayman Islands and a wholly-owned subsidiary of the Group, has established a trust certificate issuance programme (the "Programme") pursuant to which the Issuer may issue from time to time up to USD 2,000,000 thousands (AED 7,346,000 thousands) of trust certificates in series.

Series I:

On 3 February 2011, the Issuer had issued first series of trust certificates (the "Sukuk 1") amounting to USD 500,000 thousands (AED 1,836,500 thousands) under the Programme. The Sukuk 1 is listed on the London Stock Exchange and is due for repayment in 2016. Sukuk 1 carries a profit distribution at the rate of 8.5% per annum to be paid semi-annually. The carrying value of Sukuk 1 is as follows:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Sukuk 1 liability as at period/year-end | <u>1,825,045</u> | <u>1,823,494</u> |

Emaar Properties PJSC and its Subsidiaries

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As at 30 June 2013 (Unaudited)

17 SUKUK (continued)

Series 2:

On 18 July 2012, the Issuer had issued the second series of the trust certificates (the "Sukuk 2") amounting to USD 500,000 thousands (AED 1,836,500 thousands) under the Programme. The Sukuk 2 is listed on NASDAQ Dubai and is due for repayment in 2019. Sukuk 2 carries a profit distribution at the rate of 6.4% per annum to be paid semi-annually. The carrying value of Sukuk 2 is as follows:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Sukuk 2 liability as at period/year-end | <u>1,824,862</u> | <u>1,824,103</u> |

The total liability under the Programme is as follows:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Sukuk 1 | 1,825,045 | 1,823,494 |
| Sukuk 2 | <u>1,824,862</u> | <u>1,824,103</u> |
| Total Sukuk liability as at period/year-end | <u>3,649,907</u> | <u>3,647,597</u> |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

18 RESERVES

| | Statutory reserve AED'000 | Capital reserve AED'000 | General reserve AED'000 | Hedging reserve AED'000 | Net unrealised gains/ (losses) reserve AED'000 | Foreign currency translation reserve AED'000 | Total AED'000 |
|--|---------------------------------|-------------------------------|-------------------------------|-------------------------------|--|--|-------------------|
| Balance at 31 December 2012 (Audited) | 13,808,707 | 3,660 | 3,126,466 | (82,929) | (1,326,517) | (929,524) | 14,599,863 |
| Increase in unrealised reserve | - | - | - | 27,632 | 158,380 | - | 186,012 |
| Decrease in foreign currency translation reserve | - | - | - | - | - | (320,368) | (320,368) |
| Net income/(loss) recognised directly in equity | - | - | - | 27,632 | 158,380 | (320,368) | (134,356) |
| Balance as at 30 June 2013 | 13,808,707 | 3,660 | 3,126,466 | (55,297) | (1,168,137) | (1,249,892) | 14,465,507 |
| Balance as at 31 December 2011 (Audited) | 13,808,707 | 3,660 | 2,914,554 | (9,453) | (1,423,294) | (587,439) | 14,706,735 |
| (Decrease)/ increase in unrealised reserve | - | - | - | (29,531) | 23,706 | - | (5,825) |
| Decrease in foreign currency translation reserve | - | - | - | - | - | (419,515) | (419,515) |
| Net (loss)/ income recognised directly in equity | - | - | - | (29,531) | 23,706 | (419,515) | (425,340) |
| Balance as at 30 June 2012 | 13,808,707 | 3,660 | 2,914,554 | (38,984) | (1,399,588) | (1,006,954) | 14,281,395 |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

19 DIVIDENDS

A cash dividend of AED 0.10 per share for the year 2012 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 9 April 2013.

20 RELATED PARTY DISCLOSURES

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

The following table summarise the significant transactions that have been entered into with the related parties during the six month period ended 30 June 2013 and 2012:

| | <i>Six month period ended</i> | |
|---|-------------------------------------|-------------------------------------|
| | <i>30 June 2013 AED'000</i> | <i>30 June 2012 AED'000</i> |
| Associates: | | |
| Islamic finance income | 2,101 | 7,428 |
| Finance income | 129,656 | 116,417 |
| Directors' and their related parties: | | |
| Rental income from leased properties and related income | 34,475 | 39,068 |
| Finance income earned on deposits | 233 | 633 |
| Islamic finance income | 2,440 | 143 |
| Finance costs incurred on interest-bearing loans and borrowings | 10,865 | 20,637 |
| Revenue from hospitality | 119 | 1,016 |
| Selling, general and administrative expenses | 5,510 | 6,010 |

Related party balances

The following table summarise the significant related party balances (and the statement of financial position captions within which these are included) as at 30 June 2013 and 31 December 2012:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Directors and their related parties: | | |
| Bank balances and cash | 514,970 | 201,674 |
| Trade receivables | 4,065 | 4,960 |
| Other assets, receivables, deposits and prepayments | 9,779 | 22,175 |
| Investments in securities - at fair value through other comprehensive income | 67,371 | 79,682 |
| Interest-bearing loans and borrowings | - | 885,825 |
| Trade and other payables | - | 3,596 |

During the period, a payment of bonus amounting to AED 500 thousands to each of the members of the Board of Directors of the Company was approved by the shareholders at the Annual General Meeting of the Company held on 9 April 2013.

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

21 GUARANTEES

The Group has the following guarantees outstanding as at 30 June 2013:

1. Loans taken by an associate from commercial banks amounting to AED 162,008 thousands (31 December 2012: AED 183,881 thousands) are guaranteed by the Group.
2. The Group has issued financial guarantees of AED 19,644 thousands (31 December 2012: AED 13,291 thousands) for the letter of credit issued by a commercial bank.
3. The Group has provided a financial guarantee of AED 5,000 thousands (31 December 2012: AED 5,000 thousands) as a security for the letter of guarantee issued by a commercial bank for issuance of a trade license from Government of Dubai.
4. The Group has provided a financial guarantee of AED 3,287 thousands (31 December 2012: AED 3,287 thousands) as a security for the performance of its contractual obligations.
5. The Group has provided a financial guarantee of AED 922 thousands (31 December 2012: AED 922 thousands) as a security for the performance of its contractual obligations.
6. The Group has provided financial guarantees of AED 845,771 thousands (31 December 2012: AED 304,010 thousands) to Real Estate Regulatory Authority (RERA), Dubai for its new projects as per RERA regulations.
7. The Group has provided a corporate guarantee of AED 73,460 thousands (31 December 2012: AED 73,460 thousands) to a commercial bank as a security for the guarantees issued by the bank on behalf of the joint venture of the Group.

22 COMMITMENTS

At 30 June 2013, the Group had commitments of AED 6,376,321 thousands (31 December 2012: AED 4,624,870 thousands) which include project commitments of AED 6,155,286 thousands (31 December 2012: AED 4,346,198 thousands). This represents the value of contracts issued at 30 June 2013 net of invoices received and accruals made at that date.

Certain claims were submitted by the contractors relating to different projects of the Group in the ordinary course of business from which it is anticipated that no material un-provided liabilities will arise.

The Group had entered into a joint venture agreement (the "agreement") with Bawadi LLC, (a subsidiary of Tatweer LLC) to jointly develop land in Bawadi development in Dubai. According to the terms of the agreement, the Group is committed to contribute AED 3,850,000 thousands over the expected construction period of 7 to 10 years as and when the joint venture partner contributes the equivalent value of land.

Operating lease commitments - Group as lessee

The Group has entered into various operating lease agreements for properties, office facilities and equipment. These leases have an average life of between 1 to 10 years. There are no restrictions placed upon by the Group on entering into these leases. Future minimum rentals payable under non-cancellable operating leases are as follows:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Within one year | 32,932 | 16,608 |
| After one year but not more than five years | 141,433 | 139,776 |
| More than five years | 72,373 | 90,466 |
| | <u>246,738</u> | <u>246,850</u> |

Emaar Properties PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013 (Unaudited)

22 COMMITMENTS (continued)

Operating lease commitments - Group as lessor

The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

| | <i>30 June 2013 AED'000</i> | <i>31 December 2012 AED'000 (Audited)</i> |
|---|-------------------------------------|---|
| Within one year | 1,468,638 | 1,386,627 |
| After one year but not more than five years | 2,493,866 | 2,361,799 |
| More than five years | 912,961 | 986,010 |
| | <u>4,875,465</u> | <u>4,734,436</u> |

23 HEDGING ACTIVITIES

Cash flow hedges

At 30 June 2013, the Group held certain interest rate swap contracts designated as a hedge of expected future payments under the borrowing contracts entered by the Group for which it has firm commitments. The interest rate swap contract is being used to hedge the interest rate risk of the firm commitments. The nominal amount of these contracts is USD 232,339 thousands and AED 2,488,500 thousands respectively (31 December 2012: USD 232,389 thousands and AED 1,800,000 thousands respectively).

| | <u><i>30 June 2013</i></u> | | <u><i>31 December 2012 (Audited)</i></u> | |
|-------------------------------------|----------------------------|--------------------------------|--|--------------------------------|
| | <i>Assets AED'000</i> | <i>Liabilities AED'000</i> | <i>Assets AED'000</i> | <i>Liabilities AED'000</i> |
| <i>Interest rate swap contracts</i> | | | | |
| Fair value | - | 55,297 | - | 82,929 |
| | <u>-</u> | <u>55,297</u> | <u>-</u> | <u>82,929</u> |

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of cash flow hedges by valuation technique:

| | <i>Total AED'000</i> | <i>Level 1 AED'000</i> | <i>Level 2 AED'000</i> | <i>Level 3 AED'000</i> |
|-----------------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| 30 June 2013 | | | | |
| Interest rate swap contracts | 55,297 | - | 55,297 | - |
| | <u>55,297</u> | <u>-</u> | <u>55,297</u> | <u>-</u> |
| 31 December 2012 (Audited) | | | | |
| Interest rate swap contracts | 82,929 | - | 82,929 | - |
| | <u>82,929</u> | <u>-</u> | <u>82,929</u> | <u>-</u> |

Valuation technique

The present value of interest rate swaps is computed by determining the present value of the fixed leg and the floating leg interest flows. The value of the fixed leg is given by the present value of the fixed coupon payments. The value of the floating leg is given by the present value of the floating coupon payments determined at the agreed dates of each payment. The forward rate for each floating payment date is calculated using the forward curves.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, investment in securities, loans and advances, other receivables and due from related parties. Financial liabilities of the Group include customer advances and deposits, interest-bearing loans and borrowings, convertible notes, sukuk, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.