TDIC
ANNUAL REPORT
2012

شركة التطوير والاستثمار السياحي

TDIC

CONTENT

MESSAGE FROM THE CHAIRMAN

The tourism and hospitality sector in the Emirate of Abu Dhabi has indeed come a long way. As the Emirate continues to bring the world's most international events and the best hospitality and leisure venues, coupled with one of the fastest growing airlines in the world, we can clearly see that Abu Dhabi's en-route to becoming a global tourism destination. Our work at TDIC has been to fully support turning that goal into a reality.

Two thousand and twelve was a remarkable year for TDIC as we delivered several projects on Saadiyat and across Abu Dhabi. We successfully completed a number of high-profile developments which became operational during the year and we saw our first residents move on to Saadiyat Island. We have not stopped looking to the future and ended 2012 with a series of announcements that will greatly expand our project portfolio by introducing substantial educational and retail developments which – when they are complete – will further transform Saadiyat as a hotspot for residents and visitors.

TDIC continues to benefit from the substantial growth of Abu Dhabi's tourism sector. Last year, the emirate welcomed more than 2.3 million hotel guests, an increase of 13% over 2011. By delivering various distinctive projects, we have demonstrated the strategic importance of TDIC to Abu Dhabi as they further enhance the emirate's appeal as an international destination of distinction. At the beginning of 2013, we awarded the contract for construction of the Louvre Abu Dhabi which confirmed Abu Dhabi's commitment in developing iconic museums in the Saadiyat Cultural District. Aimed at transforming the Emirate into a hub of world cultural exchange, the Louvre Abu Dhabi will mark significant progress in cross-cultural dialogue through its universal themes and diverse exhibits when it opens in 2015.

Since its inception in 2006, TDIC has been instrumental in the emirate's economic progress with a comprehensive vision of developing world-class tourism assets. Fully-owned by the government of Abu Dhabi, the company is built on a sound corporate structure that is endorsed and supported by Abu Dhabi Tourism & Culture Authority.

I thank you for your continued support.

Sheikh Sultan bin Tahnoon Al Nahyan
Chairman of TDIC

MESSAGE FROM THE MANAGING DIRECTOR

TDIC witnessed great achievements over the course of 2012, as we continued to deliver on our projects across the emirate of Abu Dhabi. We saw Saadiyat spring to life as the island's first residents made their way into their new homes. This started with people moving into The Residences at The St. Regis Saadiyat Island Resort, while we further expanded our residential offerings on the island by delivering more villas and apartments such as the Saadiyat Beach Villas and Saadiyat Beach Residences.

We announced new projects which are adding great value to Saadiyat as well as Abu Dhabi's communities. On a residential front, we offered potential homeowners an exclusive opportunity to build their dream homes through the launch of Saadiyat Beach Golf Views situated in the heart of the island's championship golf course with limited land plots for sale.

We introduced education into our portfolio as we partnered with Cranleigh School, a leading UK independent school founded in 1865, to open an elite campus. This school, along with New York University Abu Dhabi and a nursery, will open on Saadiyat in 2014. All these added together will offer the crucial education stages – from pre-school up to university level.
On a retail level, we unveiled the first-of-its-kind retail district on Saadiyat – our joint venture partnership with L Real Estate (LRE), a global real estate development and investment fund sponsored by LVMH specialising in creating luxury shopping destinations. This world-class retail destination, named 'The District', will feature indoor-outdoor shopping and dining venues situated in the heart of the Saadiyat Cultural District.

These accomplishments have all added to Saadiyat rapidly transforming into a significant Abu Dhabi landmark as residents and tourists are making the most of the island's vibrant, cosmopolitan lifestyle and modern, integrated residential communities.

In Abu Dhabi city, we opened the Eastern Mangroves Hotel and Spa by Anantara, as well as Eastern Mangroves Residences. Farther west, newly opened conference centre and stables on Sir Bani Yas Island are proving to be equally just as popular among corporate as well as leisure guests.

Maintaining the momentum of our success, the start of 2013 kicked off with the awarding of construction of the Louvre Abu Dhabi which received a lot of public and media interest from around the world.

TDIC continues to enjoy the very strong credit ratings of A1, AA and AA from Moody's, Standard & Poor and Fitch respectively. These reflect our ongoing and unconditional support from the government of Abu Dhabi.

I am grateful to all our valued stakeholders, investors and partners for their support and interest in TDIC as we look forward to a great year ahead. I also thank all my colleagues for their dedication and diligent efforts that are clearly reflected into these achievements.

Mubarak Hamad Al Muhairi
Managing Director

ABOUT TDIC

Tourism Development & Investment Company (TDIC) is a master developer that is enriching the future of Abu Dhabi by developing and operating distinguished tourism destinations, creating investment opportunities, and attracting leading hospitality, leisure and cultural brands to the emirate. The company was established in 2006 as a wholly-owned subsidiary of Abu Dhabi Tourism and Culture Authority (TCA Abu Dhabi), the government authority mandated to support its vision of the economic diversification of Abu Dhabi through tourism. Formed as an independent organisation, TDIC is mandated to implement the strategy of TCA Abu Dhabi.

OUR VISION

TDIC is a master developer of sustainable, distinctive and essential assets and destinations that contribute to the economic growth and diversification of Abu Dhabi, while consistently meeting and exceeding the expectations of its stakeholders and partners.

OUR MISSION

We work closely with stakeholders and partners in both public and private sectors to develop sustainable projects that enable the economic diversification of Abu Dhabi through tourism development. We deliver to the highest standard in all the segments in which we operate and support the economic, cultural and environmental values of Abu Dhabi.

OUR VALUES

- We treat each other with respect, openness and trust.
- We celebrate our diversity and take pride in how this helps enrich the work we do.
- We motivate our colleagues to perform dynamically, and we recognise their achievements.
- We provide everyone with the opportunities they need to realise their full potential.
- We are driven by passion to achieve excellence in all that we do.

TDIC
AT A GLANCE

RELATIONSHIP WITH THE GOVERNMENT

TDIC is 100 per cent owned by the government of Abu Dhabi. The company plays a crucial role in the government's strategy for diversifying the economy, and is backed unconditionally by the government. The government's goal is to ensure that assets and attractions of the highest quality are in place to meet expected tourist demand, and TDIC has been established to develop many of these assets. The company has been mandated to work on several projects encompassed in Abu Dhabi's 2030 Economic Vision, including the development of Saadiyat and Desert Islands.

TDIC'S ROLE IN ABU DHABI'S ECONOMIC STRATEGY

Abu Dhabi's development strategy is centred on four priority areas: economic development; social and human resource development; infrastructure development and environmental sustainability; and optimisation of the role of the Government. TDIC plays an important role in each of these four pillars of the Government's development strategy.

In addition, TDIC's management believes that each of its developments is master-planned and designed to conform to the underlying principles of the strategic goals of the Government. In particular, the company believes that its business and developments contribute to the following specific goals and initiatives of each of the pillars of Abu Dhabi's strategic Policy Agenda.

ECONOMIC DEVELOPMENT

TDIC plays an important role in the Government's economic development strategy through the development of assets for the high-end tourism market in Abu Dhabi. TDIC's role is recognised in the Policy Agenda, where it is highlighted as the entity responsible for developing significant tourism properties and attractions including the related infrastructure in Abu Dhabi, for example, in respect of Saadiyat island.

SOCIAL AND HUMAN RESOURCE DEVELOPMENT

TDIC has a key role in social and human resources development, in overseeing the development of Saadiyat and with it, its Cultural District, designed to become one of world's leading cultural attractions. Saadiyat Cultural District is mentioned in the Policy Agenda as playing an integral role in Abu Dhabi's vision to become a world-class cultural destination and a domestic resource for educational and cultural development.

INFRASTRUCTURE DEVELOPMENT AND ENVIRONMENTAL SUSTAINABILITY

TDIC plays an important role in the Government's infrastructure development and environmental sustainability strategy having been entrusted with overseeing the development of all major infrastructure developments for Saadiyat and Sir Bani Yas Island, as well as other key infrastructure projects.

TDIC'S
BOARD OF DIRECTORS

HE Sheikh Sultan Bin Tahnoon Al Nahyan
Chairman

Sheikh Sultan Bin Tahnoon Al Nahyan is the chairman of Tourism Development & Investment Company (TDIC), and its mother company, Abu Dhabi Tourism & Culture Authority (TCA Abu Dhabi).

Sheikh Sultan is a member of the Executive Council of Abu Dhabi Emirate. He is also the chairman of Abu Dhabi National Exhibitions Company, Al Ain Wildlife Park and Resort, and the Eastern Region Development Committee.

He serves on the board of the Abu Dhabi Environment Agency, and is managing director of the Emirates Foundation for Philanthropy.

HE Mubarak Hamad Al Muhairi
Managing Director and Board Member

Mubarak Hamad Al Muhairi has been TDIC's managing director and board member since the company's inception in 2006.

Al Muhairi was appointed Director General of Abu Dhabi Tourism & Culture Authority (TCA Abu Dhabi) upon its creation in September 2004 – a position he continues to hold today.

Al Muhairi holds a number of board member positions with governmental organisations such as Abu Dhabi National Exhibition Centre, Abu Dhabi Media Company and Etihad Airways.

HE Saeed Mubarak Al Hajeri
Board Member

Saeed Al Hajeri is a member of TDIC's board of directors.

He is also Executive Director of Information Technology Department at Abu Dhabi Investment Authority (ADIA).

In addition, Al Hajeri holds a number of board member positions with various organisations such as the CFA Institute, the global association of chartered financial analysts and the Executive Advisory Board of MSCI Barra.

He is also a board member of several Abu Dhabi-based companies, including Abu Dhabi National Energy Company, Abu Dhabi Media Company, Abu Dhabi Retirement Pensions and Benefits Fund, and Zayed University.

HE Khalifa Mohamed Al Mazrouie
Board Member

Khalifa Al Mazrouie is a member of TDIC's board of directors.

He is also a board member of various Abu Dhabi government entities, including Abu Dhabi Development Fund, Abu Dhabi Council for Economic Development, Abu Dhabi Sewerages Services Company, and the Presidential Flight Authority in Abu Dhabi.

Al Mazrouie is chairman of the World Trade Centre, Abu Dhabi, and is general manager of the Municipality of Abu Dhabi.

HE Saif Mohammed Al Hajeri
Board Member

Saif Mohamed Al Hajeri is a member of TDIC's board of directors.

He is also the Chief Executive Officer of Tawazun Economic Council and Tawazun Holding. Prior to this, he served as Director of the Offset Venture Unit of the UAE's Offset Program Bureau.

Al Hajeri also serves as board member on various Abu Dhabi Government initiatives, including Khalifa Fund for Enterprises Development, Al Yah Satellite Communications, Abu Dhabi National Exhibitions Company and Senaat General Holding Corporation.

HE Jasim Al Darmaki
Board Member

Jasim Al Darmaki is a member of TDIC's board of directors. He is also a board member of Abu Dhabi Tourism and Culture Authority (TCA Abu Dhabi).

Al Darmaki is the Executive Director of Property Management at the Abu Dhabi Department of Municipal Affairs.

EXECUTIVE MANAGEMENT TEAM

Ali Al Hammadi
Deputy Managing Director

Responsible for preserving TDIC's position in the market-place, ensuring that the company's ambitious plans and policies are delivered professionally and successfully from well-devised strategies through to detailed operational management.

"In my new capacity as TDIC's Deputy Managing Director, I look forward to a great year ahead with major developmental projects in the pipeline. Part of my role is to ensure we fulfil our company's vision as a master developer of distinctive and essential assets and destinations that contribute to the economic growth and diversification of Abu Dhabi; while consistently meeting and exceeding the expectations of its stakeholders and partners. With major projects underway and the awarding of the Louvre Abu Dhabi contract in January 2013, we look forward to building on 2012's achievements. We will continue to deliver to the highest standards in all the segments in which we operate and support the economic, cultural and environmental values of Abu Dhabi."

Nabil Al Kendi
Chief Development Officer

Responsible for designing and building lifestyle destinations while ensuring TDIC's assets maintain their international recognition.

"Many of our projects were handed over this year and are now in operation. We are very proud to have witnessed the very first people living on Saadiyat starting with The Residences at The St. Regis Saadiyat Island Resort, while we further expanded our residential offerings by delivering villas and apartments such as the Saadiyat Beach Villas, Saadiyat Beach Residences and Eastern Mangroves Residences. In Abu Dhabi city, we opened the Eastern Mangroves Hotel and Spa by Anantara, while on Sir Bani Yas Island we now have a conference centre and stables, which are proving very popular."

Shaun O'Connor
Chief Financial Officer

Responsible for preserving TDIC's self-sustaining business model by focusing on joint venture development, corporate performance, management and statutory reporting and enhanced cash flow management.

"We successfully launched our fully integrated ERP platform which provides employees with instant access to critical information on our company including asset and company financial performance as well as in-process development activities. Shifting our focus to delivering long term sustainable results, we successfully delivered a range of system and process improvements necessary for the next phase of the company's development including securing over AED 2 billion in liquidity to the company over the course of 2012. In addition, we have secured several new joint ventures that will continue to transform Saadiyat Island into the cultural and tourism center of the region."

EXECUTIVE MANAGEMENT TEAM

Sultan Mohamed Al Mahmoud
Executive Director of Strategic Performance

Responsible for developing and retaining the right talent, with Emiratisation as a key focus, to ensure the growth of the company.

"One of our key achievements in 2012 was to reorganise the department to better serve the way the company is progressing. It was crucial to right-size our team and up-skill our workforce by recruiting the right calibre of people. We exceeded our Emiratisation target which had been set at 30 percent for 2015. By the end of 2012, our Emiratisation rate had already reached 32 percent, with equal distribution of UAE nationals throughout the grades within the organisation. In 2012, we also launched a performance management system which helped enhance and align key objectives across the whole organisation in order to achieve and implement the strategy set by the board. The introduction of Oracle Human Resource Management System helped us streamline processes and procedures for the whole organisation simultaneously, while allowing us to properly manage changes with certain parameters."

Ahmed Abdelkarim Al Fahim
Executive Director of Marketing, Communications, Sales & Leasing

Responsible for providing investors with valuable solutions and efficient transactions through distinctive real estate offerings, quality of service and customer care.

"This year was phenomenal on all levels of our residential projects. We are proud that we have exceeded expectations while delivering distinctive properties for sale, rent or lease-to-own that were attractive to a wide range of homeowners and tenants. We generated four times better sales this year as compared to all three previous years added together, amounting to more than AED 1.5 billion. We believe that the unparalleled quality of our homes, the flexibility of our financing options and the notable efforts of our team and partners, coupled with the recent boost in Abu Dhabi's real estate market, were all instrumental to our success."

Denis O'Connor
Executive Director of Operations

Responsible for providing a high quality, secure and vibrant environment for the residents, guests and visitors of TDIC's projects.

"We have witnessed great success by driving efficiencies with our operators as we focused more on our hotel business in operation. As an asset manager, we study average daily rates, what people are spending to stay in the hotel, food and beverage rates, and profit margins. We have been strongly involved in our joint venture projects by analysing revenues and costs. We work with the hotels making sure the recruitment of staff is driving that gross operating profit, while studying their procurement and payment terms with their suppliers."

Mohanad Moussly
Executive Director of Internal Audit

Responsible for providing assurance to the Audit Committee and Other Stakeholders on the effectiveness of risk management, effectiveness and efficiency of controls and business operations, while ensuring a culture of ethics, compliance and integrity.

"We continue to work with the management of various departments and disciplines in the company to enhance internal controls in processes, procedures, systems, cost savings and cost recoveries, which all contributes to the better governance, management and sustainability of TDIC as a leading company in Abu Dhabi."

OUR PEOPLE

TDIC employs the best talent across a wide range of departments, including development, finance, marketing, human resources, legal, and sales and leasing. As of the end of 2012, more than 330 employees of 31 nationalities were working in TDIC's three main office locations – headquarters in Abu Dhabi city, Saadiyat and Sir Bani Yas Island.

The company is dedicated to Emiratisation. In 2012, TDIC achieved a 32 percent Emiratisation rate with equal distribution of UAE nationals throughout the grades within the organisation. This met the government-advised target set at 30 percent for 2015.

TDIC has thoughtfully developed a number of dynamic Emiratisation programmes that not only offer job opportunities for UAE nationals, but also focus on opportunities for career development at all levels. These include Tamkeen – which is designed to help new graduates on their chosen career path, and Tumouh – a programme which considers Emirati employees' developmental needs, by assessing company and individual performance, new business strategies, and training needs.

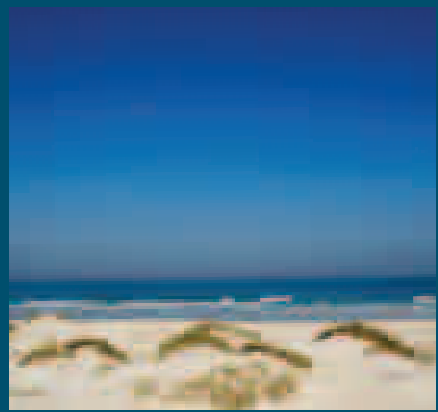
HIGHLIGHTS
OF THE YEAR

92 VILLAS SOLD ON SAADIYAT
= AED 809,836,996

10 MILLION WORKING HOURS ACHIEVED ON SAADIYAT BEACH VILLAS WITH ZERO ACCIDENTS

606 APARTMENTS LAUNCHED FOR LEASING

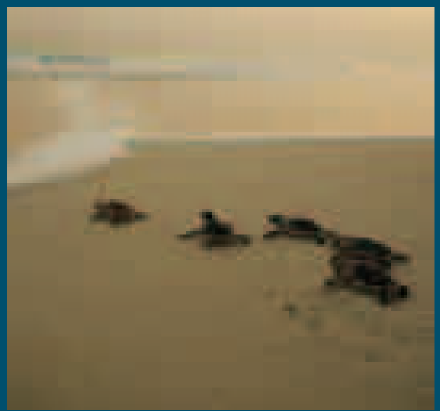
2,000 SQUARE METRES OF SAND DUNES RESTORED ON SAADIYAT BEACH



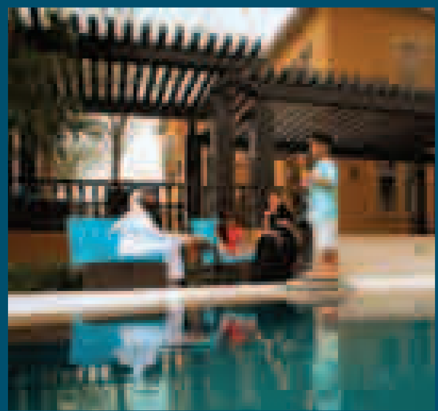
60,000 MANGROVES PLANTED AT EASTERN MANGROVES

750,000 MANGROVES GROWN AT THE SAADIYAT MANGROVE NURSERY

MORE THAN 90% OF EASTERN MANGROVES RESIDENCES LEASED WITHIN FIRST MONTH OF OPENING



200 HAWKSBILL TURTLES HATCHED ON SAADIYAT BEACH



SAADIYAT'S FIRST RESIDENTS MOVE INTO HIGH-END VILLAS AND APARTMENTS

ST. REGIS APARTMENTS ACHIEVES FULL OCCUPANCY WITHIN MONTHS OF OPENING

CONFERENCE CENTRE AND FIRST-CLASS EQUESTRIAN CLUB OPEN ON SIR BANI YAS ISLAND

EASTERN MANGROVES HOTEL & SPA BY ANANTARA OPENS IN A PRIME WATERFRONT LOCATION IN ABU DHABI CITY

THE DISTRICT, A LUXURY RETAIL DESTINATION IN SAADIYAT CULTURAL DISTRICT, IS ANNOUNCED

BUILDING DESTINATIONS

TDIC's project portfolio spans numerous developments which include Saadiyat, a natural island ten minutes drive from downtown Abu Dhabi. Saadiyat features luxury resorts, championship beachfront golf courses, sophisticated residential communities and cultural institutions – designed by world-renowned Pritzker Prize-winning architects – such as Zayed National Museum, Louvre Abu Dhabi and Guggenheim Abu Dhabi. TDIC is also developing Desert Islands, a nature-based tourism destination composed of eight islands - Sir Bani Yas Island, the historical Dalma Island and the previously unexplored Discovery Islands.

OUR PROJECTS

Louvre Abu Dhabi	01
Zayed National Museum	02
Guggenheim Abu Dhabi	03
Manarat Al Saadiyat / UAE Pavilion	04
Saadiyat Beach Golf Club	05
Monte-Carlo Beach Club, Saadiyat	06
The St.Regis Saadiyat Island Resort	07
Saadiyat Beach Show Villas & Sales Centre	08
Saadiyat Beach Villas	09
Saadiyat Beach Residences	10
Saadiyat Marina	11
Abu Dhabi Golf Club	12
The Westin Abu Dhabi Golf Resort & Spa	13
Eastern Mangroves	14
Qasr Al Sarab	15
Desert Islands Resort & Spa	16
Shangri-La Hotel, Qaryat Al Beri	17
Traders Hotel, Qaryat Al Beri	18
Fairmont Bab Al Bahr	19
Park Rotana Abu Dhabi	20
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SAADIYAT

Saadiyat is a natural island alongside Abu Dhabi's coast and a place where iconic landmarks and azure Arabian waters create a thoughtful harmony of culture, leisure and business in a vibrant community.

Saadiyat hosts premium residential, hospitality, education, retail and leisure brands, combined with the world's largest concentration of cultural institutions, all within easy reach. Unprecedented in scale and scope, the world-class museums and a performance arts centre being developed by Pritzker Architectural Prize winners in the island's Cultural District will start to open firstly with Louvre Abu Dhabi in 2015, followed by Zayed National Museum in 2016 and Guggenheim Abu Dhabi in 2017.

The island, which covers 27 square kilometres and is 10 minutes away from downtown Abu Dhabi, will eventually be home to 145,000 people.

SAADIYAT MASTER PLAN

Saadiyat in Numbers

- Total gross floor area: 15.2 million square metres
- Retail space: 500,000sqm
- Office space: 1,275,000sqm
- Residential space: 10,275,000sqm
- Hospitality space: 1,500,000sqm
- Civic facilities; 500,000sqm
- Cultural facilities: 300,000sqm

Saadiyat Cultural District

- Land Area: 2,430,000sqm
- Zayed National Museum
- Louvre Abu Dhabi
- Guggenheim Abu Dhabi
- High-end residences
- 'The District' retail destination

Saadiyat Beach

- Land Area: 5,275,000sqm
- 9 kilometres of natural beaches
- Collection of international five-star hotels and resorts
- Beach club and leisure facilities
- 18-hole championship golf course
- Luxury residences
- Educational facilities

Saadiyat Marina

- District Land Area: 3,700,000sqm
- World-class marina
- Waterfront residential, commercial and retail
- Central business district
- New York University Abu Dhabi

HOSPITALITY

THE ST. REGIS SAADIYAT ISLAND RESORT
SAADIYAT, ABU DHABI

With 377 rooms and suites, all offering spectacular views, this luxury resort features close links to the 72-par championship-standard Saadiyat Beach Golf Course and boasts seven distinctive restaurants, lounges and conference facilities, a banqueting facility, health and fitness club, and the Iridium Spa offering 12 treatment rooms.

QASR AL SARAB DESERT RESORT
ABU DHABI

Launched in October 2009, Qasr Al Sarab Desert Resort by Anantara offers a luxury resort experience with premium leisure facilities. It features 154 rooms, 42 villas and 10 royal villas, all with desert views along with four restaurants, extensive conference space and the renowned Anantara Spa. The hotel also offers top class recreation and leisure facilities including unique desert experiences such as camel trekking, desert drives, falconry and desert walks - the best way to explore the Empty Quarter's surreal beauty up close.

THE WESTIN ABU DHABI GOLF RESORT & SPA
ABU DHABI

The Westin Abu Dhabi Golf Resort & Spa represents the hospitality heart of the Abu Dhabi Golf Resort, and features stunning views of the famous golf course, which is home to the PGA European Tour HSBC Abu Dhabi Golf Championship. The 176-room property is designed in a contemporary style puts the focus back on the outdoors and natural surroundings.

EASTERN MANGROVES HOTEL & SPA
ABU DHABI

Located in a prime position along a 1.2-kilometre stretch of Abu Dhabi's protected Eastern Mangroves district, the five-star 224-room Eastern Mangroves Hotel & Spa is part of a mixed-use development which features eight residential apartment buildings of varying designs, and a vibrant promenade/marina, hosting retail outlets and restaurants. This is an integrated destination which offers guests and residents a luxury escape from the bustle of city life.

HOSPITALITY

(CONTINUED)

DESERT ISLANDS
SIR BANI YAS, ABU DHABI

Desert Islands comprises eight natural islands that include a nature and wildlife reserve of Sir Bani Yas Island, the historical Dalma Island and the untouched Discovery Islands. At the heart of this nature-based tourism destination is the 87-square-kilometre Sir Bani Yas Island, which is situated in the Arabian Gulf, approximately eight kilometres from Abu Dhabi's coastline in the Western Region (Al Gharbia) and is 250 kilometres driving distance from Abu Dhabi City.

DESERT ISLANDS RESORT & SPA
SIR BANI YAS, ABU DHABI

Desert Islands Resort & Spa by Anantara is the first resort to open on Sir Bani Yas Island. Located alongside a lagoon, the resort offers 64 luxurious rooms including six private villas as well as restaurants, a spa, health club and business facilities. Visitors can also take part in adventure-based activities including wildlife drives, kayaking, nature walks and mountain biking.

ANANTARA AL YAMM VILLAS
(UNDER DEVELOPMENT)
SIR BANI YAS ISLAND, ABU DHABI

Al Yamm comprises of 30 villas, 15 of which are located on the beach, and another 15 among green mangrove forests, which overlook a beautiful salt water lagoon frequented by wild flamingos on Sir Bani Yas Island. Each villa features one or two bedrooms and a private plunge pool, in addition to restaurant, main pool, library, lounge and business centre. Opening in 2013, Al Yamm Villas will be managed by the renowned Thai hospitality group Anantara.

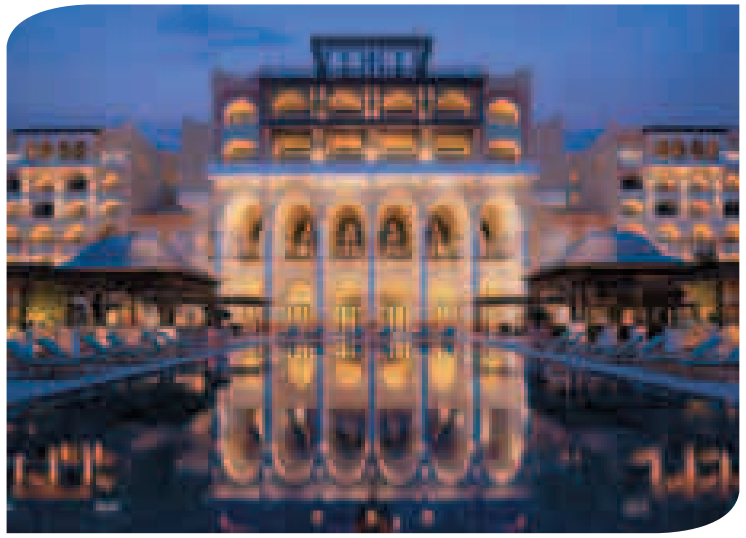
ANANTARA AL SAHEL VILLAS
(UNDER DEVELOPMENT)
SIR BANI YAS ISLAND, ABU DHABI

Al Sahel Villas are situated in a grassy oasis in the Arabian Wildlife Park on Sir Bani Yas Island, an area favoured by many of the island's sand gazelles. Designed to fit with the natural environment, these 30 villas offer five-star comfort in spacious one- or two-bedroom layout, and are flanked by a fully equipped lobby, tented restaurant, cigar lounge, pool and library. Al Sahel is due to open in 2013 and will be managed by the renowned Thai hospitality group Anantara.

ASSOCIATES & LAND LEASES,
ABU DHABI CITY

PARK ROTANA COMPLEX
ABU DHABI

The development consists of the Park Rotana Abu Dhabi with 318 luxurious rooms and suites, a swimming pool, fitness club, food and beverage outlets, and conference facilities; and Park Arjaan by Rotana Abu Dhabi, featuring 172 serviced hotel apartments. This project is a joint venture between TDIC and UAE's Al Mada Tourism Investment Company and is managed by Rotana.



SHANGRI-LA HOTEL QARYAT AL BERI
ABU DHABI

This hotel offers a variety of leisure and business facilities, a spa, six villas, 161 serviced apartments, and 214 rooms and suites. Located on a private beach overlooking the creek and the majestic Sheikh Zayed Grand Mosque, this project is a joint venture between TDIC and UAE's Al Jaber Group.

FAIRMONT BAB AL BAHR
ABU DHABI

Operated by Fairmont Hotels & Resorts, the hotel features 369 luxurious rooms and suites, six meeting rooms, a ballroom, business centre, eight restaurants and lounges, a private beach, two outdoor swimming pools, and retail outlets. This development is a joint venture between TDIC and UAE's Al Fahim Group.

TRADERS HOTEL, QARYAT AL BERI
ABU DHABI

This hotel features 301 rooms and suites, 51 Traders Club rooms, Traders Club Lounge and a number of other five-star facilities, including an outdoor pool, private beach, health club, and food and beverage venues. This project is a joint venture between TDIC and UAE's Al Jaber Group and is operated by Shangri-La Asia Limited.

ASSOCIATES & LAND LEASES, ABU DHABI CITY

(CONTINUED)

HILTON AL MAQTAA
ABU DHABI

This five-star hotel features 281 rooms and suites with a ground floor shopping galleria, six restaurants, health and wellness centre with spa facilities, and extensive banqueting and conference centre including VIP majlis area. A joint venture between TDIC and Al Farida Investments Company, this development features a spectacular 11-storey tower with a glass façade surrounded by a high-end shopping galleria and public gardens.

THE REGENT EMIRATES PEARL
(UNDER DEVELOPMENT)
ABU DHABI

This luxurious beachside resort features 377 spacious rooms and suites, 60 serviced apartments, and exclusive penthouse with private helipad. It has been designed with a 45-degree architectural twist in a style of contemporary elegance and will have five food and beverage venues, an exclusive beach club, indoor and outdoor swimming pool, a technologically advanced health club with gymnasium and a luxury spa and wellness lounge, This is a joint venture between TDIC and UAE's Atlas Group of Companies and will be managed by the Regent Hotels & Resorts, part of the Rezidor Hotel Group.

RESIDENTIAL

THE RESIDENCES AT THE ST. REGIS SAADIYAT ISLAND RESORT
SAADIYAT, ABU DHABI

This luxurious resort consists of a prestigious collection of 32 exclusive villas, 259 apartments and five penthouses. The units offer tenants the first opportunity to live in St. Regis-branded apartments in the region, and feature stunning views of the Arabian Gulf and Saadiyat Beach Golf Club. Residents enjoy private access to the pristine shores of Saadiyat Beach, as well as St. Regis-branded privileges and benefits, such as in-residence catering, in the comfort of their own homes. The apartments and a number of villas are also available for leasing.

SAADIYAT BEACH VILLAS
SAADIYAT, ABU DHABI

Saadiyat Beach Villas is Saadiyat's first residential community, and features high-end, luxury homes. The gated communities consist of landscaped parks, play areas for children, swimming pools and terraces, state-of-the-art gyms, basketball and squash courts, and world-class schools. Homeowners also enjoy the privilege of having a private beach at their doorstep.

SAADIYAT BEACH RESIDENCES
SAADIYAT, ABU DHABI

Saadiyat Beach Residences is a first-class residential neighbourhood, where residents are set to enjoy a variety of modern facilities. The development's stylish and welcoming apartments range in size from studios and spacious four-bedroom apartments to stunning penthouses, and come in three specification levels: delux and superior.

EASTERN MANGROVES RESIDENCES & PROMENADE APARTMENTS
ABU DHABI

This luxurious waterfront complex comprises 220 premium apartments developed across two distinct residences, the Eastern Mangroves Residences and Eastern Mangroves Promenade Apartments. The properties benefit from the stunning views over the mangroves, as well as private pools, gyms, terraces facing the vibrant corniche and secure car parking for residents. Eastern Mangroves Residences features three-bedroom apartments and penthouses while Eastern Mangroves Promenade Apartments offer units ranging from studios to three bedrooms.

CULTURAL

ZAYED NATIONAL MUSEUM
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

A unique institution conceived as a place for discussion, learning and inspiration, Zayed National Museum will tell the story of the late Sheikh Zayed bin Sultan Al Nahyan's life when it opens in 2016. The Pritzker Architecture Prize winner Lord Norman Foster was chosen to design the project. The British Museum serves as a consulting partner to Zayed National Museum's operating body and advises on a full range of issues, from design and museography, to educational and curatorial programming. TDIC has conducted a series of research trips with the British Museum involving meetings across the nation's seven Emirates with UAE experts and institutions. The visits have revealed a wealth of information and artefacts stretching back as far as 2000 BC that will support the compilation of other relevant resources for the museum.

LOUVRE ABU DHABI
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

Designed by Pritzker Architecture Prize winner Jean Nouvel, Louvre Abu Dhabi will showcase art from different civilisations and cultures, from the most remotely immemorial to the very latest, when it opens in 2015. The most distinctive feature of Louvre Abu Dhabi is its 180-metre diameter dome, with intricate perforations, designed to resemble rays of sunlight passing through date palm fronds and diffusing light below. Construction work has commenced in 2013 following the appointment of a contractor in January 2013. Meanwhile, acquisitions for the permanent collection of Louvre Abu Dhabi have been announced and more pieces of art are currently being revealed in the 'Louvre Abu Dhabi: Talking Art Series', a series of nine monthly lectures at Manarat Al Saadiyat.

CULTURAL

(CONTINUED)

GUGGENHEIM ABU DHABI
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

Guggenheim Abu Dhabi, opening in 2017, is planned to be a dynamic world-class institution devoted to contemporary art. While decidedly global in perspective, Guggenheim Abu Dhabi will uniquely emphasise the cultural traditions and influences of Arabian, Islamic and other Middle Eastern art in the context of the major developments of the 20th and 21st centuries. Designed by Pritzker Architecture Prize winner Frank Gehry, Guggenheim Abu Dhabi's design echoes Arabian Gulf architecture, incorporating dramatic conical forms as a modern twist on the region's traditional wind-towers.

PERFORMING ARTS CENTRE
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

The Performing Arts Centre will be a hub of cutting-edge theatre, music and dance from around the world. Designed by Zaha Hadid, the first woman to receive the Pritzker Architecture Prize, this project will house a music hall, concert hall, opera house, drama theatre, an experimental performance space, as well as an Academy of Performing Arts. Extending the Cultural District's philosophy throughout all mediums, the centre will be a celebration of all forms of artistic performance, including contemporary and classical music, ballet, opera, and experimental performance, as well as feature top regional and world artists.

CULTURAL

(CONTINUED)

MANARAT AL SAADIYAT
SAADIYAT, ABU DHABI

This visitor centre brings the vision of the island to life through the Saadiyat Story. Manarat Al Saadiyat, which opened in 2010, hosts international exhibitions from around the world and encompasses three major galleries, a central events gallery, sales centre, 250-seat theatre and Fanr restaurant.

UAE PAVILION
SAADIYAT, ABU DHABI

The dune-shaped structure, which housed the UAE's exhibition during the 2010 World Expo in Shanghai, was relocated to Saadiyat in 2011, where it now stands next to Manarat Al Saadiyat. Together, these two exhibition centres will fulfil the important role of raising the Saadiyat Cultural District's profile in the lead up to the opening of the museums, and host a number of the UAE's most important cultural events, such as Abu Dhabi Art – an annual boutique platform for modern and contemporary art.

LEISURE

MONTE-CARLO BEACH CLUB

SAADIYAT, ABU DHABI

Monte-Carlo Beach Club, Saadiyat is the island's first beach club and Monte-Carlo's first property outside of Monaco. This private beach club complements the unique experience offered on Saadiyat Beach – the island's tourism hotspot. The venue boasts an all-day dining restaurant, three lounges, The Work Out Room-branded gym and studio, kids' club, spa treatment rooms, Jacuzzi, plunge pool and steam rooms.

SAADIYAT BEACH GOLF CLUB

SAADIYAT, ABU DHABI

Saadiyat Beach Golf Club, opened in 2010, is one of the region's first beachfront golf courses. About a third of the course commands magnificent views of the Gulf's glittering, crystal waters. The 72-par, 18-hole championship course, designed by golfing legend Gary Player, provides a spectacular variety of golf experiences with every hole having its own character. The club will be further enhanced by a clubhouse, designed by world-renowned architect Frank Gehry, which will house a 26-room boutique hotel, two restaurants, spa and pro-shop.

ABU DHABI GOLF CLUB

ABU DHABI

Seen as one of the finest golfing facilities in the Middle East, Abu Dhabi Golf Club is home to the PGA European Tour Abu Dhabi HSBC Golf Championship. The 162-hectare golf course features 27 championship holes, restaurants, a pro-golf shop, locker rooms and banqueting space.

ARABIAN WILDLIFE PARK

SIR BANI YAS, ABU DHABI

Key to the environmental and conservation efforts on the Sir Bani Yas Island is the creation of the Arabian Wildlife Park, which houses over 10,000 animals. This 4,100 hectare area, which is more than half the island's size, is dedicated to breeding and rehabilitation of animals indigenous to the Arabian Peninsula. The park is being developed to provide an authentic environment for the animals to roam freely while the island remains an exceptional experience to visitors.
The park serves many purposes crucial to the conservation of endangered species, such as the Arabian Oryx, and for their longevity when released into the wild.

LEISURE

(CONTINUED)

SIR BANI YAS STABLES
SIR BANI YAS, ABU DHABI

The state-of-the-art horse riding facility, located next to Desert Islands Resort & Spa by Anantara, has capacity for 30 horses, and is home to a range of well-trained horses of different breeds from Arabia and around the world. With facilities consisting of two stable barns, six sand paddocks, two large grass paddocks, a lunge ring, a covered riding arena, training ring and riding ring, the stables provide a five-star equestrian experience.

WATERSPORTS CENTRE
SIR BANI YAS, ABU DHABI

Located adjacent to Desert Islands Resort & Spa by Anantara and alongside the shoreline of the Arabian Gulf, this centre offers a wide array of first-class amenities for water sport enthusiasts of all abilities as well as diving classes to visitors. Featuring a restaurant, lounge and rooftop terrace overlooking the beach, each venue has been designed to tie in with the architecture of the existing resort and is managed by Anantara, the renowned Asian hospitality group.

EDUCATION

CRANLEIGH ABU DHABI
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

Built over seven hectares of land, Cranleigh Abu Dhabi will become the largest school campus in Abu Dhabi with open green spaces, extensive landscaping and an ambient environment. In addition to the broad academic curriculum which emphasises on the individual, a wealth of opportunities will allow students to explore their full range of talents in fine arts, performing arts, music, sports and cultural activities. While the majority of pupils will be day pupils, the school will also have boarding facilities, offering individualised day, weekly or full boarding arrangements in purpose-built houses – separate for males and females. Set to open in 2014, Cranleigh was founded in Surrey, UK in 1865 with educational principles that are embedded in the school's deep-rooted culture, family-focused values and high standard curriculum.

REDWOOD SAADIYAT NURSERY
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

Located on Saadiyat Beach, Redwood Saadiyat Nursery will be operated by Kids First Group, an internationally-recognised academic operator, and accommodate up to 140 children when it opens in 2014. The 1,500-square-metre nursery will adopt a curriculum based on the specialised world-renowned Montessori Method, providing high standards of educational and recreational facilities for pre-school education. While ensuring the sustained wellbeing of each child through an innovative and progressive learning environment, the nursery will provide children with a wide range of learning experiences within stimulating and empowering settings led by highly qualified practitioners.

RETAIL

THE COLLECTION
SAADIYAT, ABU DHABI

Located within The St. Regis Saadiyat Island Resort, this retail complex consists of a mix of 25 restaurants and retail outlets. The Collection will feature food and beverage options from both regional and international cuisine, while everyday shopping needs will be catered for by a supermarket, as well as other conveniences such as a pharmacy, hairdressing and nail salon, banking facilities and gift shops. With 6,000 square metres of leasable space, The Collection features architecture inspired by old-world Mediterranean villages, with terraces, courtyards and piazzas.

EASTERN MANGROVES PROMENADE
(UNDER DEVELOPMENT)
ABU DHABI

Set within the Eastern Mangroves complex, in a prime location along the Eastern shore of Abu Dhabi's protected natural mangroves district, this features a loose interpretation of a souk-type avenue. With a total floor area of 3,500 square metres, the retail complex, which is set to open in 2013, offers an inviting, enjoyable environment for visitors, hosting six food and beverage venues featuring a number of cuisines along with a supermarket and ladies beauty salon. The units are set back from the open air by an arch-fronted open colonnade providing a pedestrian zone specifically for the retail areas, where residents can enjoy walking and biking activities along the waterfront.

THE DISTRICT
(UNDER DEVELOPMENT)
SAADIYAT, ABU DHABI

The District is a joint venture project developed by TDIC and L Real Estate (LRE), a global real estate development and investment fund sponsored by LVMH which specialises in creating luxury shopping destinations. Set to open in 2017, the retail destination will be one of the largest retail complexes in Abu Dhabi and the first-of-its-kind in the Arabian Gulf region, presenting an unparalleled retail and lifestyle experience. The District is distributed over 168,000 square metres of leasable space with more than 550 units allocated for luxury and fashion brands, dining outlets, high-end department stores, home furnishing chains, art galleries, family entertainment venues and various other speciality stores and services. The District, which boasts indoor-outdoor shopping and dining venues, is strategically positioned among the three world-class museums on Saadiyat Cultural District – Zayed National Museum, Louvre Abu Dhabi and Guggenheim Abu Dhabi.

OUR PARTNERS

We develop strategic partnerships with some of the world's most respected brands and sought-after experts in their field. These alliances help to facilitate and add value to the delivery of quality-driven projects. Together with prestigious partners such as these, we are creating quality destinations and enhancing the vibrancy of the region.

CULTURAL PARTNERS

BRITISH MUSEUM

The British Museum serves as a consulting partner to Zayed National Museum's operating body in Saadiyat's Cultural District and advises on a full range of issues, from design, construction and museography to educational and curatorial programming, as well as training.

MUSÈE DU LOUVRE

Located in the Saadiyat Cultural District, Louvre Abu Dhabi will be the first Louvre outside of Paris. TDIC is working closely with Musée du Louvre to develop Louvre Abu Dhabi's own national collection, which will be enriched by loans from our partner.

SOLOMON R. GUGGENHEIM FOUNDATION

Guggenheim Abu Dhabi is being developed in collaboration with the Solomon R. Guggenheim Foundation which, since its founding in 1937, has promoted the understanding and appreciation of art, primarily of the modern and contemporary periods.

LEISURE PARTNERS

GARY PLAYER

One of the most successful golfers and course designers of all time has designed the 18-hole beachfront championship Saadiyat Beach Golf Club, which opened in 2010.

SBM

For almost 150 years, Monte-Carlo SBM Group has remained loyal to its tradition of diversity and innovation. Monte-Carlo Beach Club, Saadiyat, which opened in September 2011, is the company's first property outside of Monaco. The members-only club features a spectacular swimming pool, eight personal poolside cabanas, a fine selection of restaurants and spa facilities.

TROON GOLF

One of the world's most respected and experienced golf management companies, Troon, operates TDIC's golf developments – Saadiyat Beach Golf Club and Abu Dhabi Golf Club. It also operates Fanr restaurant at Manarat Al Saadiyat.

RETAIL PARTNERS

L REAL ESTATE

L Real Estate, a private equity fund dedicated to mixed-use real estate investments with luxury retail components, is TDIC's partner on The District – a world-class retail destination with indoor-outdoor shopping and dining venues being developed in Saadiyat's iconic Cultural District. L Real Estate, specialised in creating and developing luxury retail destinations globally, currently has large-scale projects underway in Miami, Shanghai, Tokyo, and Abu Dhabi. Its investors include LVMH, which is a minority investor and sponsor, as well as a number of corporates, family offices, institutional investors and luxury brands non-affiliated to the LVMH Group.

HOTEL PARTNERS

ANANTARA HOTELS, RESORTS AND SPAS

Synonymous with unique and stylish resorts worldwide, Anantara is operating Desert Islands Resort and Spa, and Qasr Al Sarab Desert Resort. The company also operates TDIC's Eastern Mangroves Hotel & Spa.

ROTANA

Rotana, one of the Middle East's most recognised hotel brands, manages Park Rotana Abu Dhabi – a superb hotel, commercial and retail complex. This property is a joint venture partnership between TDIC and Al Mada Tourism Investment Company.

STARWOOD HOTELS & RESORTS (BRAND: ST. REGIS)

The upmarket St. Regis, which is part of the Starwood Group, is our operating partner for TDIC's luxury hotel and residences on Saadiyat Beach. The St. Regis Saadiyat Island Resort is the brand's first property to open in the Middle East.

STARWOOD HOTELS & RESORTS (BRAND: WESTIN HOTELS AND RESORTS)

The renowned Westin Hotel brand is TDIC's operator for the Westin Abu Dhabi Golf Resort and Spa, which opened in 2011 and has transformed the Abu Dhabi Golf Club into a world-class golf resort complex.

EDUCATION PARTNERS

CRANLEIGH

Cranleigh is TDIC's partner for Cranleigh Abu Dhabi school which will open on Saadiyat in 2014. Cranleigh was founded in Surrey, UK in 1865 with educational principles that are embedded in the school's deep-rooted culture, family-focused values and high-standard curriculum.

RESIDENTIAL PARTNERS

STARWOOD HOTELS & RESORTS (BRAND: ST. REGIS)

The upmarket St. Regis, which is part of the Starwood Group, is our operating partner for TDIC's luxury residences on Saadiyat Beach. The Residences at The St. Regis Saadiyat Island Resort consists of a prestigious collection of 32 exclusive villas, 259 apartments and five penthouses.

CORPORATE GOVERNANCE

At TDIC we believe that good governance in itself does not deliver value, but it can help assure the sustainability of the company beyond the contributions of any individual or team. We also believe that good governance goes beyond the frameworks, policies and procedures that the company can implement into its structures, and should be instilled into the day-to-day mindsets and activities of the directors, management and employees of TDIC. As such, our governance framework emphasises substance over form, and long-term over short-term. It provides for accountability and a robust balance between empowerment, accountability and compliance. As a real estate development company, we build our assets and investments on a commercial basis. Investment, divestment and business decisions are directed by our Board of Directors and Finance Committee, and executed by management, in accordance with attractive returns and investment targets mandated by our Board of Directors.

FINANCE COMMITTEE

TDIC has established a finance committee (as a sub-committee of the Board of Directors), which is responsible for supervising and approving all finance, funding, investment and accounting matters within the company. The finance committee meets on a monthly basis and consists of board members; it is chaired by HE Saeed Mubarak Al Hajeri.

AUDIT COMMITTEE

TDIC has established an independent Audit Committee (as a sub-committee of the Board of Directors), which oversees both the internal and external audits within the company, and is also responsible for addressing any issues arising from them. The Audit Committee meets on a quarterly basis and consists of independent board members. The committee is chaired by HE Khalifa Mohammad Al Mazrouei.

NOMINATION AND REMUNERATION COMMITTEE

TDIC has established a Nomination and Remuneration Committee (as a sub-committee of the Board of Directors), which is responsible for the supervision and approval of all nominations of members of the Board of Directors and Executive Management, as well as the further approval of all remuneration and compensation schemes and programmes across TDIC. The Nomination and Remuneration Committee consists of independent board members and is chaired by HE Saif Mohammad Al Hajeri.

Each of the board sub-committee is chaired by a non-executive director who is independent of management. On the recommendation of the Audit Committee, TDIC's Board of Directors approves the annual audited statutory accounts, prior to submission to our shareholder. During 2012, the Audit Committee performed its oversight role over the Internal Audit function of the company and addressed all matters that were brought to its attention. In addition, the Audit Committee approved the TDIC Anti-Fraud Programme, which includes an independently managed whistle-blowing channel for anonymous reporting of breaches and deviations from the company's Code of Conduct, and acceptable practices of good governance.

INTERNAL AUDIT

The Internal Audit Department plays a key role in providing independent assurance to the Board of Directors, the Audit Committee and other stakeholders on the design and operation of TDIC's internal control framework, and on the Executive Management's ability to identify and manage risks across the company's business.

The Internal Audit Department operates across four key areas: financial audits; information technology audits; operations audits; and projects audits, which cover the entire range of TDIC's business. The department is also responsible for developing a risk-based audit plan that is reviewed and approved by the Audit Committee. The Internal Audit Department is led by the Executive Director of Internal Audit, Mohanad Moussly. The Internal Audit Department includes a Corporate Integrity division which is responsible for identifying fraud risks within TDIC, as well as testing and monitoring the controls to mitigate any fraud risks.

Under the supervision of the Audit Committee, the Corporate Integrity division has developed an anti-fraud programme which encompasses a range of required policies and procedures including an independent and anonymous whistle-blowing initiative. The Corporate Integrity division is also responsible for managing and conducting investigations of fraud and irregularities under the supervision of the Corporate Ethics Committee and Audit Committee. TDIC's Internal Audit Department works very closely with TDIC's external auditors, who are appointed by the Board of Directors of Abu Dhabi Tourism & Culture Authority, to provide comprehensive assurance on financial reporting controls and the fairness and accuracy of the company's financial statements.

CORPORATE ETHICS COMMITTEE

TDIC has established a Corporate Ethics Committee, chaired by the Executive Director of Legal Services. The purpose of the Corporate Ethics Committee is to provide assistance to the Executive Management and the Audit Committee, and to enable TDIC to continue to operate according to the highest ethical business standards and in accordance with applicable laws and regulations. The committee is responsible for facilitating the development, implementation and operation of an effective ethics and anti-fraud programme; promoting an organisational culture that encourages ethical conduct; and considering and resolving any issues of interpretation regarding any aspect of the compliance and ethics programme. The committee is also tasked with supervising investigations of fraud and is responsible for taking appropriate actions raised by any such investigations.

CORPORATE SOCIAL RESPONSIBILITY

TDIC has adopted a set of core values that emphasise international performance standards in the areas of sustainability, health and safety, labour practices and philanthropy. The company supports charitable organisations, focusing initially on local issues and expanding to national and international initiatives in due course.

TDIC's commitment to continuously enhance its long-standing dedication to Corporate Social Responsibility (CSR) is demonstrated by our CSR Committee, which was formed in 2011 and oversees the following segments:

- Community – supporting charities, events, education and national aid campaigns
- Environment – proactively minimising the company's carbon footprint, and supporting national sustainability initiatives
- Workers – enhancing and supporting workers' wellbeing

2012 HIGHLIGHTS

WORKERS' WELFARE

TDIC demonstrates great efforts in promoting the welfare of its workers on Saadiyat island – and is continuously committed to ensuring their social wellbeing, safety and health. The company maintains a strict policy to implement fair employment practices among all workers and contractors who are employed on TDIC's projects.

In 2009, TDIC created its Employment Practices Policy (EPP) which is primarily based on and complements the UAE Labour Law. The EPP sets out standards relating to workers' welfare that TDIC requires of its contractors for projects on Saadiyat. TDIC committed internal resources to dutifully enforce and monitor the implementation of its EPP policy, which prescribes the fair treatment of its employees in a safe, healthy and friendly working environment.

Also in 2009, TDIC opened its Saadiyat Accommodation Village, a high-quality, modern community project designed to international standards to accommodate construction workers employed on Saadiyat's developments. Since the opening of Saadiyat Accommodation Village, TDIC has been very welcoming and transparent to any organisation or group of individuals wishing to visit and personally experience this modern accommodation facility first hand. The Village has regularly hosted dignitaries, human rights institutions, media groups, cultural institutions, independent artists and numerous visitors from around the world who have genuinely applauded TDIC's efforts and expressed their admiration for this modern accommodation facility.
In June 2011, TDIC appointed

PricewaterhouseCoopers (PwC) to provide independent monitoring of TDIC and its' contractors' compliance with the EPP. PwC carried out initial and follow-up monitoring visits to the main contractors and a sample of eight subcontractors working on four of the major projects under construction on Saadiyat. Between June 2011 and May 2012, a number of 1,341 workers were interviewed, representing 9 percent of the total monthly average of workers on Saadiyat Island during the monitoring period. In September 2012, the first independent monitoring report compiled by PwC detailing TDIC's worker welfare practices on Saadiyat was released. The report provided an independent appraisal of TDIC's contractors' and subcontractors' compliance with the company's EPP, and highlighted positive findings and recommendations for improvements. TDIC recognises that transparency of these findings is important, and has taken immediate action to improve the areas highlighted over the course of the monitoring programme.

In November 2012, TDIC was recognised in an independent report published by Pearl Initiative, the non-profit organisation developed in cooperation with the United Nations Office for Partnerships, for executing various integrity-related policies in the interests of its workers' welfare on Saadiyat. The report, titled Pearl Initiative Series on Corporate Good Practices, provides practical lessons from companies based in the GCC region that are ahead of the curve in implementing good practices.

The Pearl Initiative report stresses the importance of how integrity-related policies, most commonly developed by companies, include a code of conduct or code of ethics. Based on specific criteria, TDIC had met the requirements of 'beyond compliance' in its relationship with its employees, contractors and business partners, while exhibiting professionalism and international working standards among organisations in the region.

TDIC has been continuously recognised and awarded by reputable and highly credible organisations for its strong commitments in ensuring a secure and healthy working environment and preserving the welfare of its employees. The company was awarded the Sustainability MEED Quality Award for Projects 2012 for its work on Saadiyat Accommodation Village.

SAADIYAT ACCOMMODATION VILLAGE

This state-of-the-art housing community has been recognised as a model of best practice by local and reputable global entities. Saadiyat Accommodation Village has become an exemplifying model in the region especially for its broad range of social, recreational and

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

educational facilities – such as multilingual libraries, computer and Internet access, gymnasiums, and floodlit sporting area with four cricket pitches, basketball court and tennis court. With a capacity to accommodate up to 20,000 workers, this facility is intelligently designed to ease the lives of the workers by providing them with banking facilities, prayer rooms, spacious dining halls, barbershops, food outlets and shops with highly affordable goods.

ACCOMMODATION VILLAGE CONTACT CENTRE

TDIC established a dedicated call centre in June 2010 and a toll-free direct access line which workers can call to address, work-related inquiries, express grievances, report concerns and make suggestions to a dedicated Employment Relations Manager. This Accommodation Village Contact Centre, which is open and available to all workers on Saadiyat, supports the majority of languages spoken by the workers, including Hindi, Urdu, Bengali, Telugu, Malayalam and Tamil. TDIC has made tremendous efforts to promote the service by including this information in its induction manual, on cards distributed at Saadiyat Accommodation Village and on notice boards throughout construction sites.

EVENTS AND ACTIVITIES

TDIC, along with Saadiyat Accommodation Village's operator, Brookfield Multiplex Services, regularly holds competitions and activities to enrich the living experience for workers and residents in the Saadiyat Accommodation Village. Some of these include competitions between the Village's residents and TDIC employees in pool, table tennis and chess with prizes given to winners. Monthly soccer and cricket tournaments between residents are also held.

TDIC organises an annual themed art event, "The Art of TDIC", where residents of Saadiyat Accommodation Village paint murals that are displayed around the Village with prizes for top artists.

A Facebook account has been created that is regularly updated with news and photos of workers' social initiatives, sporting competitions and various leisure activities.

LITERACY PROGRAMME

TDIC launched an English Literacy Programme in 2012 for construction workers residing at the Saadiyat Accommodation Village. These English classes, which are taught by TDIC staff volunteers, have witnessed great success with graduation ceremonies organised to recognise the achievements of students.

To further promote literacy, TDIC regularly donates and collects books in all languages from the community to complement writing workshops held in the learning centre. Meanwhile, an internal newsletter is regularly published in English highlighting various activities taking place within the Village and the exciting stories shared by residents – and this is widely distributed throughout Saadiyat Accommodation Village.

ARTS & CULTURE AWARENESS

TDIC is developing the Saadiyat Cultural District which comprises world-class museums and performing arts centre, making up the international cultural platform that will act as a beacon for artistic experience, change and education. TDIC is supporting arts and cultural awareness in the community through these developments as well as its existing platforms, particularly Manarat Al Saadiyat and UAE Pavilion, which have hosted international exhibitions from around the world.
While these two exhibition centres are fulfilling the important role of raising the Saadiyat Cultural District's profile in the lead up to the opening of the museums, they have been hosting a number of the UAE's most important cultural events.

ENVIRONMENTAL CAMPAIGNS

TDIC's environment team regularly organises clean-up initiatives on Saadiyat and on Sir Bani Yas Island, while spreading environmental awareness among the community. In December 2012, the company participated in the annual 'Clean Up UAE 2012' campaign organised by the Emirates Environment Group by cleaning the shores of Saadiyat Beach and Sir Bani Yas Island. Saadiyat witnessed volunteers from the wider Abu Dhabi community that included Saadiyat residents and TDIC's staff and their families alongside Monte-Carlo Beach Club staff, conservationists, members of 1st Abu Dhabi Scout Group and TDIC's contractors – Al Futtaim Carillion, Proscape and Dhabi Contracting – who are involved in the construction of Saadiyat island's world-class projects. Meanwhile, Sir Bani Yas Island drew participation from the Desert Islands team, contractors – Al Shafar Transport & Contracting Company and Larsen &Toubro – and Western Region Municipality's waste contractor Westcoast.

MEDICAL CONTRIBUTIONS

TDIC donated an ambulance to the Red Crescent Authority in April 2012. The donation forms part of the company's continued commitment to social responsibility through supporting the local community and charities. Meanwhile, TDIC employees donated blood in response to an appeal from His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, which was launched in January 2012 via social media sites. The Abu Dhabi Blood Bank visited TDIC's headquarters to give employees the opportunity to participate in this noble act. TDIC donated with the aim of supporting the blood transfusion programmes in the UAE, particularly for patients who need blood transfusion on a constant basis.

ENVIRONMENT

TDIC is committed to ensuring environmentally sustainable principles are embedded throughout its developments, seeking not only to maintain and protect existing environmental and social assets, but to enhance them for future Abu Dhabi generations.

The company does this through the following:

- Environmental risk and impact assessment for new developments
- Sustainable design
- Habitat and wildlife conservation
- Preservation of cultural heritage
- Pollution prevention
- Sustainable operations
- Waste management
- Environmental education and community awareness
- Corporate social responsibility initiatives

TDIC's Environment Department is dedicated to working across all of the company's projects, from Saadiyat to Abu Dhabi city and the Western Region of Abu Dhabi.

SUSTAINABLE DESIGN

A major achievement in the drive to ensure Abu Dhabi becomes a sustainable city is the compulsory requirement for all new villas, buildings and communities to demonstrate compliance with the Pearl Design and Construction Ratings under the Estidama programme, the Emirate's sustainable development initiative. Estidama complements TDIC's own Sustainable Design Regulations which were introduced as a green building mechanism several years prior to the introduction of Estidama. TDIC now implements Estidama on all of its projects and uses its own Sustainable Design Regulations as a guideline to help achieve Estidama outcomes.

ENVIRONMENTAL MANAGEMENT

When new developments are conceptualised, TDIC's Environment Department works closely with the design consultants to achieve the best possible outcome from an environmental and sustainability point of view, as we realise the intrinsic value they bring to our developments. TDIC also works closely with its contractors and operators to help them fulfil their environmental and Corporate Social Responsibility objectives. These include pollution prevention, waste minimisation and recycling, promotion of water and energy efficiency measures, and preservation and restoration of natural systems.

2012 ENVIRONMENTAL HIGHLIGHTS

- Since its inception, TDIC has protected and enhanced mangrove communities on Saadiyat, Sir Bani Yas Island and the Eastern Mangroves of Abu Dhabi city. With the opening of the Eastern Mangroves Hotel and Spa in 2012, kayaking tours have been operating from the hotel to increase awareness of guests and visitors about this valuable ecosystem, complementing the tours that have been running for a number of years from the Desert Islands Resort and Spa.
- The Saadiyat Island Beach dune system is protected through a number of environmental guidelines for future generations; notably, this dune system is a nesting habitat for the endangered Hawksbill Turtle. After its first year of hotel operations, TDIC welcomed the turtles again during the nesting season, demonstrating that development and conservation can go hand in hand.
- A number of our hotel operators have received recognition for their efforts to run the properties in a sustainable manner. Anantara received the Green Globe award for their management of the Desert Islands Resort and Spa and Qasr Al Sarab Resort and Spa, and is targeting the same award for the Eastern Mangroves Hotel and Spa which opened in 2012.

ENVIRONMENT IN NUMBERS

- More than 60,000 mangroves have been planted at Eastern Mangroves.
- More than 750,000 mangroves were grown at the Saadiyat Mangrove Nursery.
- For every guest on Sir Bani Yas Island, one mangrove tree is planted.
- Over 200 Hawksbill Turtles hatched on Saadiyat Beach in 2012.
- The Louvre Abu Dhabi museum achieves a 30.8 percent reduction in energy use and a 27.3 percent reduction in potable water use compared to the baseline building. In addition, the building achieves a 72 percent reduction in external heat gain compared to the baseline building due to the extensive use of passive design strategies.
- Accommodation for 20,000 people has been established on Saadiyat, reducing travel distances from construction sites and associated greenhouse gas emissions, as well as to provide better living conditions for construction workers.
- A herd of approximately 500 Arabian Oryx roams freely and breeds successfully on Sir Bani Yas Island, after the species became extinct in the wild in the early 1970s. Initial steps have been taken to introduce a herd to the Qasr Al Sarab reserve, which will be released to roam freely once the animals have acclimatised to the area.
- TDIC started operations of a reed bed to treat wastewater from the Desert Islands Resort and Spa on Sir Bani Yas Island. The reed bed treats the wastewater to a high standard and the effluent is used for irrigation. Reed beds treat wastewater in a natural way, in the absence of chemicals and power, which are typically used in conventional treatment systems.

HEALTH AND SAFETY

TDIC has an excellent site safety record and actively commits to meeting and surpassing all legal health and safety obligations. The company has developed and employs a range of site safety policies and safe working practices.

TDIC must comply with all UAE federal and local Abu Dhabi health and safety laws and regulations, which includes meeting the requirements of the Abu Dhabi Emirate Environment, Health and Safety Management System for the Building and Construction Sector. These are regulated by Abu Dhabi Municipality (ADM) and the ADM's health and safety codes of practice for construction projects. TDIC is committed to meeting all regulatory health and safety requirements and has an exemplary site safety record as a result.

Abu Dhabi Municipality's site safety inspectors have the right to enter any TDIC construction site at any time and can issue prohibition or improvement notices to any developer or contractor who fails to comply with ADM's codes of practice.

TDIC contracts Parsons International Limited to oversee all contractors' safety practices and performance on Saadiyat. Information from all TDIC development activities is gathered to produce regular health and safety reports, which are used by TDIC for continuous review and continual advancement of on-site safety procedures. Through its Employment Practices Policy (EPP), TDIC is committed to providing a safe and healthy workplace for all. TDIC chooses as a preference to work with contractors who meet its health and safety requirements with a demonstrable good health and safety record. For example, in compliance with the EPP, all contractors developing projects on Saadiyat are obliged to house their workers in the Saadiyat Accommodation Village.

In September 2012, TDIC marked a record of 10 million working hours in the construction of Saadiyat Beach Villas with no accidents, a feat it had proudly achieved along with its partners. Following this, TDIC was awarded a Certificate of Appreciation by Abu Dhabi Municipality for its remarkable safety achievements demonstrated.

REPORT OF THE DIRECTORS

TOURISM DEVELOPMENT AND INVESTMENT COMPANY P.J.S.C.

Report of the Directors
for the year ended 31 December 2012

The Directors have the pleasure in submitting their report together with the audited consolidated financial statements of Tourism Development and Investment Company P.J.S.C. (the “Company”) and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2012.

Principal activities

The Group was formed by Abu Dhabi Tourism and Cultural Authority (TCA Abu Dhabi) to manage Abu Dhabi’s tourism investment zone and to assist and coordinate with TCA Abu Dhabi to enhance, manage and develop activities and properties. The Group’s principal activities include developing and leasing investment properties and acquiring, developing and operating hospitality and real estate projects in Abu Dhabi.

Results

Revenue for the year was AED 1,267.4 million (2011: AED 333.9 million).

Net loss for the year was AED 2,151.2 million (2011: AED 1,270.8 million).

Board of Directors

As at the end of the reporting period, the Board of Directors comprises:

H.H. Sheikh Sultan Bin Tahnoon Al Nahyan
Chairman

H.E. Mubarak Hamad Al Muhairi
Managing Director

H.E. Khalifa Mohamed Al Mazroui
Board Member

H.E. Saeed Mubarak Al Hajeri
Board Member

H.E. Saif Mohamed Al Hajeri
Board Member

H.E. Jasim Al Darmaki
Board Member

Release

The Directors release from liability the management and the external auditors in connection with their duties for the year ended 31 December 2012.

Auditors

Deloitte & Touche (M.E.) are eligible to be re-appointed as auditors for the year ended 31 December 2013 and have expressed their willingness to be re-appointed.

On behalf of the Directors

Director

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Independent Auditor's Report

To the Shareholder of
Tourism Development and Investment Company P.J.S.C.
Abu Dhabi, UAE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Tourism Development and Investment Company P.J.S.C. (the "Company") and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, and the Articles of Association of the Company, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, the Company has maintained proper books of account and the physical inventory count was properly conducted. The information contained in the report to the directors' relating to the consolidated financial statements is in agreement with the books.
We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of the Company which might have materially affected the financial position of the Company or its financial performance.

Mohammad Khamees Al Tah
Registration Number 717
28 April 2013

CONSOLIDATED
BALANCE SHEET

Consolidated statement of financial position
at 31 December 2012

Assets	Notes	2012 - AED' 000	2011 - AED' 000
Non-current assets			
Property, plant and equipment	5	13,284,301	17,624,609
Investment properties	6	15,035,164	14,154,276
Investments in associates	7	822,857	833,545
Total non-current assets		**29,142,322**	**32,612,430**
Current assets			
Development work-in-progress	8	6,345,035	5,671,494
Land held for sale	9	-	545,051
Inventories	11	472,041	84,049
Trade and other receivables	12	772,203	1,222,833
Prepayments	13	113,492	71,142
Cash and bank balances	14	2,475,511	3,166,017
Assets classified as held for sale	10	2,162,814	-
Total current assets		**12,341,096**	**10,760,586**
Total assets		**41,483,418**	**43,373,016**

Equity and Liabilities	Notes	2012 - AED' 000	2011 - AED' 000
Capital and reserves			
Share capital	15	100,000	100,000
Increase in capital	15	18,184,743	18,184,743
Other contributions	15	462,644	462,644
Statutory reserve	15	124	124
Accumulated losses		(5,501,277)	(3,350,040)
Total equity		**13,246,234**	**15,397,471**
Non-current liabilities			
Derivative liability	29	24,193	66,569
Provision for end of service benefits	16	18,125	22,841
Advances from customers	17	658,614	2,001,072
Bank borrowings – long-term	18	2,394,000	2,499,000
Non-convertible bonds and sukuk	21	7,336,413	7,208,586
Deferred government grants	19	10,350,528	11,253,375
Total non-current liabilities		**20,781,873**	**23,051,443**
Current liabilities			
Derivative liability	29	3,561	-
Advances from customers	17	1,489,355	-
Trade and other payables	20	1,222,446	2,569,344
Deferred government grants	19	72,135	54,758
Bank borrowings – short-term	18	2,505,000	2,300,000
Liabilities directly associated with assets classified as held for sale	10	2,162,814	-
Total current liabilities		**7,455,311**	**4,924,102**
Total liabilities		**28,237,184**	**27,975,545**
Total equity and liabilities		**41,483,418**	**43,373,016**

The accompanying notes form an integral part of there consolidated financial statement

CONSOLIDATED
INCOME STATEMENT

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	Notes	2012 - AED' 000	2011 - AED' 000
Revenue	**22**	**1,267,363**	**333,861**
Direct costs	22	(580,821)	(242,234)
Gross profit		**686,542**	**91,627**
Deferred government grant amortisation	19	276,972	184,791
Share of (loss)/gain of associates	7	(21,902)	10,891
Administration expenses	23	(810,846)	(813,746)
Depreciation – property, plant and equipment	5	(632,744)	(471,228)
Depreciation – investment properties	6	(31,082)	-
Management fee expense		(10,271)	(4,230)
Management fee income	24	25,916	33,878
(Loss)/gain on sale of property, plant and equipment		(2,659)	701
Impairment – property, plant and equipment	5	(1,048,844)	-
Impairment – investment properties	6	(56,447)	-
Gain on revaluation of derivative instruments	29	38,815	18,454
Finance costs	26	(532,986)	(342,540)
Finance income		31,299	23,726
Loss on foreign exchange		(5,645)	(3,080)
Other losses		(80,769)	(72)
Loss for the year		**(2,174,651)**	**(1,270,828)**
Other comprehensive income			
Share of increase in the value of associate contributions	7	**23,414**	**-**
Total comprehensive loss for the year		**(2,151,237)**	**(1,270,828)**

The accompanying notes form an integral part of there consolidated financial statement

Consolidated statement of changes in equity
for the year ended 31 December 2012

	Share capital AED' 000	Increase in capital AED' 000	Other contributions AED' 000	Statutory reserve AED' 000	Accumulated losses AED' 000	Total AED' 000
Balance at 1 January 2011	100,000	18,184,743	462,644	124	(2,079,212)	16,668,299
Total comprehensive loss for the year	-	-	-	-	(1,270,828)	(1,270,828)
Balance at 1 January 2012	100,000	18,184,743	462,644	124	(3,350,040)	15,397,471
Total comprehensive loss for the year	-	-	-	-	(2,151,237)	(2,151,237)
Balance at 31 December 2012	**100,000**	**18,184,743**	**462,644**	**124**	**(5,501,277)**	**13,246,234**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows
for the year ended 31 December 2012

	2012 - AED' 000	2011 - AED' 000
Operating activities		
Loss for the year	(2,174,651)	(1,270,828)
Adjustments for:		
Depreciation for property, plant and equipment	632,744	480,912
Depreciation for investment properties	31,082	-
Provision for end-of-service benefits	15,318	21,674
Provision for doubtful debts	1,601	23,175
Impairment – property, plant and equipment	1,048,844	-
Impairment – investment properties	56,447	-
Unrealised gain on derivative instruments	(38,815)	(18,454)
Finance cost recognised in statement of comprehensive income	532,986	342,540
Interest income recognised in statement of comprehensive income	(31,299)	(23,726)
Loss/(gain) from sale of property, plant and equipment	2,659	(701)
Share of loss/(gain) of associates	21,902	(10,891)
Government grant recognised in profit or loss	(276,972)	(184,791)
Operating cash flow before movements in working capital	**(178,154)**	**(641,090)**
Increase in development work-in-progress	(1,127,710)	(1,395,730)
Decrease /(increase) in inventory	329	(7,632)
Decrease in trade and other receivables	996,311	389,209
Decrease in long-term receivables	-	2,304
(Increase)/decrease in prepayments	(44,324)	169,073
Increase in advances from customers	146,896	424,136
(Decrease)/ increase in trade and other payables	(916,357)	112,767
Cash used in operations	**(1,123,009)**	**(946,963)**
Finance cost paid	(616,058)	(691,139)
End-of-service benefits paid	(17,876)	(20,003)
Net cash used in operating activities	**(1,756,943)**	**(1,658,105)**

The accompanying notes form an integral part of there consolidated financial statement

	2012 - AED' 000	2011 - AED' 000
Investing activities		
Withdrawal of term deposits with an original maturity more than three months	-	1,000,000
Payments for property, plant and equipment	(427,909)	(2,456,889)
Proceeds from disposal of property, plant and equipment	8,409	3,916
Additions to investment properties under development	(3,908)	(598,291)
Interest received	32,016	24,537
Dividends received from associates	8,200	-
Cash distribution from associates	4,000	44,291
Net cash used in investing activities	**(379,192)**	**(1,982,436)**
Financing activities		
Bank borrowings repaid	-	(1,000,000)
Bank borrowings obtained	100,000	2,594,000
Government loan obtained	-	2,800,000
Government grants obtained	1,359,111	437,046
Net cash generated by financing activities	**1,459,111**	**4,831,046**
Net (decrease)/increase in cash and cash equivalents	**(677,024)**	**1,190,505**
Cash and cash equivalents at beginning of year	3,166,017	1,975,512
Cash and cash equivalents at end of year (note 14)	**2,488,993**	**3,166,017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012

1. General information

Background information

On 25 October 2005, Tourism Development & Investment Company P.J.S.C. (the "Company") registered and incorporated as a public joint stock company in the Emirate of Abu Dhabi (the "Emirate"), United Arab Emirates under the UAE Commercial Companies Law No. (8) of 1984 (as amended) and in accordance with Abu Dhabi law No. 12 of 2005. The Company is a wholly owned subsidiary of Abu Dhabi Tourism & Culture Authority (TCA Abu Dhabi) (the "Owner"), previously named Abu Dhabi Tourism Authority (ADTA), which is wholly owned by the Abu Dhabi Government.

The Abu Dhabi Government and TCA Abu Dhabi contribute to the Company's financing for its operations in the form of capital contributions of assets and through grants of assets and cash. The accounting for these items is described in detail in Notes 15 and 19, respectively.

The address of the Company's registered office is P.O Box 126888, Abu Dhabi, United Arab Emirates ("UAE"). UAE is a non-taxable jurisdiction and no taxes are levied on the company.

Principal business activities

The Company was formed by TCA Abu Dhabi to manage Abu Dhabi's tourism investment zone and to assist and coordinate with TCA Abu Dhabi to enhance, manage and develop activities and properties. The Group's principle activities include developing and leasing investment properties and acquiring, developing and operating hospitality and real estate projects in Abu Dhabi.

The Company and its subsidiaries (together referred as the "Group") are managed as an integrated Real Estate company.

The Group's property development and land sales are related largely to the development and sale or lease of land located on Saadiyat Island. The Group obtained this land from TCA Abu Dhabi through a capital contribution. Saadiyat Island will be developed into seven distinct districts comprised primarily of hospitality, commercial, retail, leisure, cultural and civic facilities. Saadiyat Island also offers residential properties for sale and lease.

The Group's property development also includes the development of Sir Bani Yas Island as a tourism destination through increased amenities and attractions. Current plans include a conference center, a dive center, stables and additional lodging facilities. Sir Bani Yas Island land is owned by the Government and the Group has been appointed as a conservator of the island, providing the right to develop on the island.

The Group's property development activities also include major projects located throughout the rest of the Emirate. Most are focused on constructing assets that will be valuable tourism and hospitality assets in the future.

The Group's hotel segment currently consists of five major hotels: Desert Islands Resort & Spa, Qasr Al Sarab Desert Resort, St. Regis Hotel, Westin Hotel and Eastern Mangroves Hotel. They are located on Sir Bani Yas Island, in the Liwa Desert Empty Quarter, Saadiyat Island and Abu Dhabi Island, all within the Emirate, respectively.

The principal activities of Desert Islands Resort & Spa (the "Hotel") are to provide accommodation, food and beverage services, spa and recreational facilities in the western portion of the Emirate of Abu Dhabi. The Hotel is managed by Lodging Management Labuan Limited (Anantara). The Operating and Management Agreement dated 20 July 2007 is for a period of 10 years renewable for a further period of 10 years. The Hotel commenced its operations on 1 October 2008. The Group pays Anantara a management fee as stipulated in the agreement. As of 1st January 2013, the asset has been transferred to TCA Abu Dhabi.

The primary activities of Qasr Al Sarab Desert Resort (the "Resort") are to provide accommodation, food and beverage services and recreation facilities in the Liwa Desert Empty Quarter, Emirate of Abu Dhabi. The Resort is managed by Lodging Management Labuan Limited (Anantara). The Operating and Management Agreement dated 20 July 2007 is for a period of 10 years renewable for a further period of 10 years. The Resort commenced its operations on 22 October 2009. The Group pays Anantara a management fee as stipulated in the agreement. As of 1st January 2013, the asset has been transferred to TCA Abu Dhabi.

The primary activities of St. Regis Hotel (the "St. Regis") are to provide accommodation, food and beverage services on Saadiyat Island. St. Regis is managed by Starwood EAME License and Services Company BVBA . The Operating and Management Agreement dated 24 April 2008 is for a period of 25 years renewable for a further period of 25 years. St. Regis Hotel commenced its operations on 26 December 2011. The Group pays Starwood EAME a management fee as stipulated in the agreement.

The primary activities of Westin Hotel (the "Westin") are to provide accommodation, food and beverage services and in the Emirate of Abu Dhabi. The hotel is in a prime location next to Abu Dhabi Golf Club a PGA Championship Golf Course. Westin is managed by Starwood EAME License and Services Company BVBA. The Operating and Management Agreement dated 24 April 2008 is for a period of 25 years renewable for a further period of 25 years. The Westin commenced its operations on 1 November 2011. The Group pays Starwood EAME a management fee as stipulated in the agreement.

The primary activities of Eastern Mangroves Hotel (the "Eastern Mangroves") are to provide accommodation, food and beverage services in the Emirate of Abu Dhabi. Its unique location offers guests an exceptional Abu Dhabi experience. The exotic beauty of the region's precious mangroves provides the perfect backdrop for the rich cultural traditions embodied in the hotel's impressive architecture. Eastern Mangroves Hotel is managed by Lodging Management Labuan Limited (Anantara). The Operating and Management Agreement dated 12 May 2011 is for a period of 15 years renewable for a further period of 15 years. Eastern Mangroves commenced its operations on 8 June 2012. The Group pays Anantara a management fee as stipulated in the agreement.

The Group's offerings include golf courses, a beach club, tourism activities, and marina operations.

The Abu Dhabi Golf Club offers sports and leisure facilities together with food and beverage outlets. The Abu Dhabi Golf Club is operated by Troon Golf Suisse Sarl ("Troon") under a management agreement which expires on 31 December 2027. The Group pays Troon a management fee as stipulated by the management agreement.

The Saadiyat Beach Golf Club also offers sports and leisure facilities and varied food and beverage outlets. Saadiyat Beach Golf Club is also operated by Troon under a management agreement which expires 31 December 2024. The Group pays Troon a management fee in accordance with the agreement.

The Monte-Carlo Beach Club also offers leisure facilities and varied food and beverage outlets. Monte-Carlo Beach Club is operated by Monte-Carlo SBM International SARL under a management agreement which expires 31 December 2024. The Group pays Monte-Carlo SBM International a management fee in accordance with the agreement.

The Group also manages leisure facilities and other activities on Sir Bani Yas Island and in the Liwa Desert near Qasr Al Sarab including management of wildlife, conservation of habitat, and tourism activities including game viewing drives, mountain biking, falconry, archery and kayaking.

The leisure segment also includes Marina Al Bateen, which is located on the island of Abu Dhabi. Marina Al Bateen is a multi-phased project including a marina, dry dock facilities and retail outlets. Phase one commenced operations during 2010 and currently offers 323 marina berths to local fisherman. Marina Al Bateen is managed by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)
2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

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

New and revised IFRSs	Summary of requirement
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IAS 12 *Income Taxes relating to Deferred Tax – Recovery of Underlying Assets*	Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale. As a result of the amendments, SIC-21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.
Amendment to IFRS 1 *Severe Hyperinflation*	The amendments provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	The amendment replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
IFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2015
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* relating to accounting for government loans at below market interest rate	1 January 2013

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments:* Disclosures relating to offsetting financial assets and liabilities	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

For the IFRSs in issue that are not yet effective, other than IFRS 13 which management is still assessing, management anticipates that the adoption of these IFRSs in future periods will have no material impact on the consolidated financial statements of the Group in the period of initial application.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting polices below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Basis of consolidation

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

Details of the Group's subsidiaries at 31 December 2012 are as follows:

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
Desert Islands L.L.C.	100%	UAE	Real estate development
TDIC Finance Limited	100%	Cayman Islands	Financing activities
TDIC Sukuk Limited	100%	Cayman Islands	Financing activities
TDIC Food and Beverage LLC	100%	UAE	Restaurant management
TDIC Education LLC	100%	UAE	Educational activities
TIH GP Limited	99%	Cayman Islands	Real estate development
Saadiyat Accommodation Village LLC.*	100%	UAE	Real estate development
Saadiyat District Cooling LLC.*	100%	UAE	Real estate development
Saadiyat Accommodation Village*	100%	Cayman Islands	Real estate development
Saadiyat District Cooling*	100%	Cayman Islands	Real estate development
TIH Services Co. LLC.*	100%	UAE	Real estate development

* These subsidiaries were established during the year.

** During the year, the Group has changed the name of QASR LLC to Tourism Investments Assets LLC and transferred the ownership to TCA AD.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.4 Investment in associates

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

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, an investment in an associate is initially recognised

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.4 Investment in associates (continued)

in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated statement of comprehensive income.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities.

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of comprehensive income as follows:

Sale of properties

Revenue from the sale of properties is recognised when equitable interest in a property vests in a buyer and all the following conditions have been satisfied:

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

Service charges and expenses recoverable from tenants

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

Revenue from Investment Properties

Rental income

The Group policy from recognition of revenue from operating leases is described in 3.6 below.

Income from leisure segment

Revenue represents the value of services provided by the clubs during the year, net of rebates and allowances. Revenue is recognised in the period in which services are performed.

Interest income

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

Dividend income

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

Income from hotels and rest houses

Hotels and Rest Houses revenue represents total amounts invoiced to customers and guests during the year excluding service charges, as and where applicable, plus unbilled guest ledger totals at the reporting date. Revenue is stated net of rebates and allowances.

3.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As of year-end, all lease agreements entered by the Group were classified as operating leases or as lease to own.

The Group as lessor

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.6 Leasing (continued)

on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated statement of comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.16 below).

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

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

3.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. The cost of property, plant and equipment is the purchase cost plus any directly attributable cost of acquisition.

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

Depreciation is calculated s using the straight line method to allocate the assets' cost to their residual value over their estimated useful life, on the following basis:

Description	Estimated useful life
Buildings	5 to 20 years
Furniture, fixtures and office equipment	3 to 5 years
Machinery, tools and equipmen	5 to 10 years
Transportation assets	2 to 5 years
Aircrafts	12 to 20 years

The Group does not depreciate land.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

3.8 Capital work-in-progress

Properties or assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to bringing the assets to the location and condition necessary for the asset to operate in the manner intended, including related staff costs, design, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work-in-progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

The capital work-in-progress balances of multi-use projects includes amounts related to investment properties and development work in progress projects that will be reclassed to these categories once the management will be able to allocate the costs to the appropriate category during the project development period.

3.9 Assets held for sale

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

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

3.10 Inventories

Inventories consist primarily of completed properties, food, beverages and consumable items and are stated at the lower of cost and net realizable value. Costs comprise direct materials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.10 Inventories (continued)

and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted-average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.11 Investment properties

Investment property, which is property held to earn rentals or, for undetermined future use or for capital appreciation, is measured at cost, including transaction costs. The costs of assets granted to the Group by the government are recorded at nominal value (as described in Note 6 and 15).

Investment property in the course of construction is carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to bringing the assets to the location and condition necessary for the asset to operate in the manner intended, including related staff costs, design, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, they are transferred from work-in-progress to completed properties and depreciated in accordance with the Group's policies. Depreciation is recorded in the consolidated statement of comprehensive income so as to write off the cost of a property over its estimated useful life using the straight-line method. No depreciation is recorded for land.

Description	Estimated useful life
Buildings	20 years

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

The gain or loss arising on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

A transfer to, or from, investment property is made when there is a change in use. Change in use is determined based on the approved business plan of the Group which take in consideration the Group's future intentions and plans for the assets. Examples of change in use are as follows:

(a) commencement of owner-occupation, for a transfer from investment property to property, plant & equipment;
(b) commencement of development with a view to sale, for a transfer from investment property to inventories;
(c) end of owner-occupation, for a transfer from property, plant & equipment to investment property; or
(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

3.12 Development work-in-progress

Development work-in-progress consists of property on Saadiyat Island that is being developed principally for sale and is stated at the lower of cost or net realizable value. Cost comprises all direct costs attributable to the design and construction of the property including staff costs. Net realizable value is the estimated selling price in the ordinary course of the business less applicable variable selling expenses. When the properties are completed the development work-in-progress is transferred to inventories

3.13 Impairment of tangible assets

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

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

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

3.14 Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates, being its functional currency.

For the purposes of these consolidated financial statements, the results and financial position of each group company are expressed in U.A.E Dirhams (AED), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in currencies other than each Group company's functional currency (foreign currencies) are recorded at the rates of exchange

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.14 Foreign currencies (continued)

prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of comprehensive income in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the consolidated statement of comprehensive income on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign subsidiaries are expressed in AED Dirhams using exchange rates prevailing at the reporting period date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the translation reserve. Such exchange differences are recognised in consolidated statement of comprehensive income in the period in which the foreign operation is disposed of.

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. When considering pooled financing, investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.
All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period that they are incurred.

3.17 Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. This type of grant is available to various companies both owned and not owned by the Government. The Government grants received to date consist primarily of four types of grants:

- Non-monetary government grants: The Government grants to the Group undeveloped land in areas of the country where significant investment is required to derive value from the land. This land is recorded at nominal value, which approximates the value prior to development, where there is reasonable assurance that the asset will be received and the Group will comply with any attached conditions, where applicable.
- Cash grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets: These grants are recognised as deferred income in the statement of financial position and transferred to the consolidated statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.
- Cash grants to fund the operating costs associated with the operation of Sir Bani Yas Island: These grants are recognised as income on a systematic basis over the periods necessary to match them with the costs for which they are intended to compensate.
- The benefit of a Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

In addition, Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated statement of comprehensive income in the period in which they become receivable.

3.18 Employee benefits

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

Provision is also made for the full amount of end-of-service benefits due to non-UAE national employees in accordance with the Group's policy, which is at least equal to the benefits payable in

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.18 Employee benefits (continued)

accordance with UAE Labor Law, for their period of service up to the end of the reporting period. This provision is calculated as a minimum of 21 days remuneration for each year of the first five years of service and 30 days remuneration for each additional year service. The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability.
Pension contributions are made in respect of UAE and GCC national employees to the Abu Dhabi Retirement and Pension Benefits Fund, calculated in accordance with government regulations. Such contributions are charged to the consolidated statement of comprehensive income during the employees' period of service. The Group obligations are limited to those contributions which are expensed when due.

3.19 Derivative financial instruments

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

Derivative financial instruments are initially measured at fair value at contract date, and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.
Independent valuers carry out fair values of the derivatives by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Changes in the fair value of derivative financial instruments are recorded directly to income unless they are designated as hedge for accounting purposes. Derivative financial instruments that are not accounted for as hedge for accounting purposes are recognised at fair value through the consolidated statement of comprehensive income. The Group did not designate any of its financial instruments as accounting hedges.

3.20 Financial assets

The Group has the following financial assets: Bank and cash balances and trade and other receivables. These financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Bank and cash balances are comprised of cash and balances with banks in current accounts or term deposits which mature within three months of the date of placement.

Trade and other receivables

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of comprehensive income to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

3.21 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.21 Financial liabilities and equity instruments (continued)

entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, 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, except for short-term liabilities when the recognition of interest is immaterial.

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

Derecognition of financial liabilities

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

4 Critical accounting judgments and key sources of estimation of uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management are summarised as follows:

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations described below, that management have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Classification of properties

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

Classification of leases

The Group, as a lessor, has entered into long-term lease arrangements for plots of land with entities in the United Arab Emirates whereby the lease term under each lease is valid for a period of 99 years renewable, during the renewal parties shall negotiate in good faith changes in tenure, annual rent, decoration as may permitted by law. Should parties fail, prior to the expiry date to agree on the terms and conditions for an additional term the tenant shall vacate and hand over the plot, building(s) and improvements to the landlord.

In the process of determining whether these arrangements represent operating leases or finance leases, the Group's management has made various judgments. In making its judgments, the Group's management considered the terms and conditions of the lease agreements and the requirements of IAS 17 Leases, including the Basis for Conclusions on IAS 17 provided by the International Accounting Standards Board and related guidance, to determine whether significant risks and rewards associated with the land in accordance with each lease term would have been transferred to the lessees despite there being no transfers of title. The Group did not transfer substantially all risks and rewards of ownership to the lessees with practical ability for the lessees to exercise unilaterally all rights on the plots of land. Accordingly, management is satisfied that these arrangements represent operating leases.

4.2 Key sources of estimation

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

Useful lives of property, plant and equipment

The Group's property, plant, and equipment are depreciated using the straight-line method over their estimated useful lives which are based on management's business plans and operations estimates related to those assets. The factors that could affect that estimation of the useful lives and residual values include the following:

- Changes in asset utilization rates
- Changes in maintenance technology
- Changes in regulations and legislations; and
- Unforeseen operational issues.

Any of the above could affect prospective depreciation of property, plant and equipment and their carrying and residual values. Management periodically reviews the appropriateness of assets' useful economic lives. This review is based on current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

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

4.2 Key sources of estimation (continued)

Allowances for doubtful debts

Management has estimated the recoverability of accounts receivable and has considered the allowance required for doubtful debts. Management has estimated for the allowance for doubtful debts on the basis of prior experience and the current economic environment. Estimating the amount of the allowance for doubtful accounts requires significant judgment and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, consideration of current economic trends and conditions and debtor-specific factors, all of which may be susceptible to significant change. A provision for bad debt is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. To the extent actual outcomes differ from management estimates, additional provision for bad debt could be required that could adversely affect earnings or financial position in future periods.

Provision for infrastructure construction

The Group has an obligation under the terms of its sale and purchase agreements to develop the infrastructure of the sold land. Infrastructure cost is deemed to form part of the cost of revenue and is based on management's estimate of the future costs to be incurred in relation to the project including, but are not limited to, future subcontractor costs, estimated labor costs, and planned other material costs. The Group estimated the provision for infrastructure cost related to the sold plots of land by dividing the total estimated infrastructure cost by the total Gross Floor Area (GFA) and multiplied the cost per GFA by the GFA of the sold land. The provision for infrastructure costs requires the Group's management to revise its estimate of such costs on a regular basis in light of current market prices for inclusion as part of the cost of revenue.

Impairment of investments in associates

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in the consolidated statement of comprehensive income. Management is satisfied that no impairment provision is necessary on its investments in associates.

Derivative financial instruments

The fair values of derivative financial instruments are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. The discounted cash flow model requires numerous estimates and assumptions regarding the forward rates. Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

Impairment assessment of investment properties

During the year, the impairment assessment of the investment properties was determined by internally prepared real estate valuations using recognised valuation methods. These methods comprise the Cash Flow Method and the Comparable Market Method. In 2011, and every subsequent 3 years thereafter, this will be done by an independent third party.

The Cash Flow Method requires the use of the estimates such as future cash flows from assets including revenues, expenses and construction costs when applicable and the cash flows are then discounted to their present values.

The Comparable Market Method was utilized by management to determine the value of the land bank on the main island in the Emirates of Abu Dhabi. The internal real estate valuation experts have obtained the market value of comparable land to obtain the market value.

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

The discount rate was determined using available market information for risk free rate, adjustments for inflation differentials, country risk, beta, capital structure and the capital asset pricing model (CAPM). Beta and capital structure assumptions were derived as averages across a range of Middle East regional companies in the real estate sector. Several of the companies used are direct competitors in Abu Dhabi and the other Emirates of the UAE.
With the absence of direct transactional information from the market, capitalization rates (cap rates) were derived using financial principals for terminal value determination (Perpetuity Growth Model) as well as understanding trends for cap rates in developed markets where transactional volume is relatively transparent.

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

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

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

Property, plant and equipment including properties classified under capital work in progress are assessed for impairment based on assessed cash flows of individual assets when there is indication that those assets have suffered an impairment loss. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates reflecting the current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

The discount rate was determined using available market information for risk free rate, adjustments for inflation differentials, country risk, beta, capital structure and the capital asset pricing model (CAPM). Beta and capital structure assumptions were derived as averages across a sample of Middle East regional companies in the real estate sector. Several of the companies used are direct competitors in Abu Dhabi and the other Emirates of the UAE.

With the absence of direct transactional information from the market, capitalization rates (cap rates) were derived using financial principals for terminal value determination (Perpetuity Growth Model) as well as understanding trends for cap rates in developed markets where transactional volume is relatively transparent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

5. Property, plant and equipment

Cost	Land AED'000	Buildings AED'000	Furniture, fixtures and office equipment AED'000	Machinery, tools and equipment AED'000	Transportation assets AED'000	Aircrafts AED'000	Capital work in-progress AED'000	Total AED'000
1 January 2012	1,546,220	4,041,712	972,999	221,002	71,854	15,910	11,774,186	18,643,883
Additions	-	25,372	104,039	40,029	1,185	-	366,121	536,746
Disposals	-	-	(699)	(2,851)	(21,158)	-	-	(24,708)
Transfer to investment properties (Note 6)	72	-	-	-	-	-	(896,171)	(896,099)
Transfer from development work-in-progress (Note 8)	-	-	-	-	-	-	269,405	269,405
Transfer	-	1,055,575	14,883	-	-	-	(1,070,458)	-
Transfer to Government receivable	-	-	-	-	-	-	(377,605)	(377,605)
Transfer to TCA Abu Dhabi	-	-	-	-	-	-	(45,716)	(45,716)
Property, plant and equipment write-off	-	-	(18,171)	(3,054)	(33)	-	-	(21,258)
Transfer to assets held for sale (Note 10)	-	(1,825,649)	(832,901)	(10,406)	(8,318)	-	(108,222)	(2,785,496)
31 December 2012	**1,546,292**	**3,297,012**	**240,150**	**244,720**	**43,530**	**15,910**	**9,911,540**	**15,299,152**
Accumulated depreciation and impairment								
1 January 2012	-	598,513	308,932	78,385	30,160	3,284	-	1,019,274
Charge for the year	-	390,130	188,747	42,082	10,728	1,057	-	632,744
Disposals	-	-	(696)	(2,606)	(10,338)	-	-	(13,640)
Impairment	-	1,048,844	-	-	-	-	-	1,048,844
Transfer to assets held for sale (Note 10)	-	(359,262)	(301,505)	(6,608)	(4,996)	-	-	(672,371)
31 December 2012	**-**	**1,678,225**	**195,478**	**111,253**	**25,554**	**4,341**	**-**	**2,014,851**
Carrying amount								
31 December 2012	**1,546,292**	**1,618,785**	**44,672**	**133,467**	**17,976**	**11,569**	**9,911,540**	**13,284,301**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

5. Property, plant and equipment (continued)

Cost	Land AED'000	Buildings AED'000	Furniture, fixtures and office equipment AED'000	Machinery, tools and equipment AED'000	Transportation assets AED'000	Aircrafts AED'000	Capital work in-progress AED'000	Total AED'000
1 January 2011	1,774,300	3,109,647	810,667	164,797	68,916	15,910	10,345,334	16,289,571
Additions	-	43,810	23,857	7,393	7,486	-	2,516,366	2,598,912
Disposals	-	-	(450)	(813)	(7,230)	-	-	(8,493)
Transfer to investment properties (Note 6)	(58,866)	-	-	-	-	-	-	(58,866)
Transfer to land held for sale (Note9)	(169,214)	-	-	-	-	-	(8,027)	(177,241)
Transfer	-	888,255	138,925	49,625	2,682	-	(1,079,487)	-
31 December 2011	**1,546,220**	**4,041,712**	**972,999**	**221,002**	**71,854**	**15,910**	**11,774,186**	**18,643,883**
Accumulated depreciation and impairment								
1 January 2011	-	303,314	176,044	43,316	18,740	2,226	-	543,640
Charge for the year	-	295,199	133,292	35,845	15,518	1,058	-	480,912
Disposals	-	-	(404)	(776)	(4,098)	-	-	(5,278)
31 December 2011	**-**	**598,513**	**308,932**	**78,385**	**30,160**	**3,284**	**-**	**1,019,274**
Carrying amount								
31 December 2011	**1,546,220**	**3,443,199**	**664,067**	**142,617**	**41,694**	**12,626**	**11,774,186**	**17,624,609**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

5 Property, plant and equipment (continued)

During 2012, the Group capitalised borrowing costs on qualified assets amounting to AED 17.4 million using a capitalization rate of 4.49% (2011: AED 142 million, using a capitalization rate of 4.4%).

During 2012, the St. Regis Hotel transfer from capital work-in-progress to the appropriate property, plant, and equipment categories was finalized. In 2011, the construction of the Westin Abu Dhabi, Monte Carlo Beach Club was completed and transferred from capital work-in-progress to the appropriate property, plant, and equipment categories.

During the period, the Group transferred the following assets at net book value to assets held for sale. The assets are Qasr Hotel, Desert Islands Resort & Spa, Manarat Al Saadiyat, Fanr Restaurant, SBY Watersports Centre, SBY Conference Centre and SBY Stables assets. The mentioned assets will be transferred to TCA Abu Dhabi, on 1 January 2013 and the Group will continue to manage the assets on behalf of TCA Abu Dhabi for an agreed management fee (Note 10).

In 2011, the Group transferred one of the rest houses (Al Khazana) back to Al Ain Municipality, the rest house was carried at nominal value.

During the period, the Group transferred the project costs of UAE Pavilion with a carrying value of AED 45.7 million and the related Government Grant to TCA Abu Dhabi as per the agreement with the Government (Note 19).

During the year, the Group has transferred an amount of AED 377.6 million from capital work-in-progress to receivable from Government that relates to the acquisitions of art work to the museums.

Refer to note 6 for the details of the transfer from capital work-in-progress to investment properties.

Refer to note 8 for the details of the transfer from development work-in-progress to capital work-in-progress.

In 2012 the Group carried out a review of recoverable amounts of its property, plant and equipment using a discounted cash flow method with a discount rate of 8.25% (2011: 8.75%). The review led to a recognition of impairment losses of AED 1,049 million, which has been recorded in profit or loss. The recoverable amount of relevant assets has been determined on the basis of their value in use.

All of the Group's property, plant and equipment are located in the United Arab Emirates. The Group owned satisfactory title to all its assets and no assets were pledged as security at 31 December 2012 or 2011.

6 Investment properties

Investment properties comprise completed properties (apartments and retail centers) and properties under development, including land under development, at cost.

Movement during the year is as follows:

	Completed properties AED'000	Land and work-in-progress AED'000	Properties under development AED'000	Total AED' 000
Balance at 1 January 2011	-	13,592,339	-	13,592,339
Additions	-	770,821	-	770,821
Transfer from property, plant and equipment (Note 5)	-	58,866	-	58,866
Transfer from development work in-progress (Note 8)	-	100,060	-	100,060
Transfer to land held for sale (Note 9)	-	(367,810)	-	(367,810)
Balance at 1 January 2012	-	14,154,276	-	14,154,276
Additions	-	16,703	-	16,703
Transfer from property, plant and equipment (Note 5)	-	896,099	-	896,099
Transfer to development work in progress (Note 8)	-	(482,988)	-	(482,988)
Transfer to inventory (Note 11)	(6,126)	(322)	-	(6,448)
Transfer from land held for sale (Note 9)	-	545,051	-	545,051
Transfer to completed properties and properties under development	1,209,699	(1,687,044)	477,345	-
Impairment, net	(92,443)	35,996	-	(56,447)
Depreciation	(31,082)	-	-	(31,082)
Balance at 31 December 2012	**1,080,048**	**13,477,771**	**477,345**	**15,035,164**

**Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)**

6 Investment properties (continued)

During 2012, the Group capitalised borrowing costs on qualified assets amounting to AED 12.8 million using a capitalization rate of 4.49% (2011: AED 172.5 million using a capitalization rate of 4.4%).

During the year, the Group classified the Lagoons land to saleable with the intention of developing and selling the plots for a housing project and accordingly has reclassified an amount of AED 483 million from 'investment properties- undetermined use' to development work-in-progress.

During the year, the Eastern Mangroves and St. Regis apartments and retail projects were transferred and the Group allocated the cost that amounted to AED 1,627.9 million to investment properties from work-in-progress under property, plant and equipment. This was offset by the transfer of accruals to the value of AED 731.8 million from investment properties to work-in-progress under property, plant and equipment. The net effect of the movement is a transfer from property, plant and equipment of AED 896.1 million to investment properties (Note 5).

During the year, the Group transferred the cost of the sold apartments to inventory that amounted to AED 6.4 million (Note 11). Subsequently, on recognition of the sales, the costs were recorded as cost of sales.

During 2012, the Group transferred two plots of land at Al Mafraq from land held for sale to investment property of AED 545 million due to changes in the Group's business plan (Note 9).

Investment properties comprise the following:

	2012 - AED' 000	2011 - AED' 000
Completed properties	1,080,048	-
Properties under development	477,345	-
Land:		
- held for rent	846,940	1,398,079
- held with undetermined future use	12,630,831	12,756,197
	15,035,164	**14,154,276**

Completed properties

During the year, the construction of Eastern Mangroves Luxury apartments and St. Regis apartments and retail were completed and transferred from investment properties under development to completed properties.

The carrying values of these projects as of 31 December 2012 are as follows:

	2012 - AED' 000	2011 - AED' 000
Eastern Mangroves Luxury apartments	265,362	-
St. Regis apartments and retail	814,686	-
Total Carrying Value	**1,080,048**	**-**

Investment properties under development

The investment properties under development represent the development cost of Eastern Mangroves Marina and Chandlery apartments and retail.

Investment properties under development as of 31 December 2012 is as follows:

	2012 - AED' 000	2011 - AED' 000
Eastern Mangroves Marina & Chandlery apartments and retail	477,345	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

6 Investment properties (continued)

Land held for rent

The Group has classified the below lands as land held for rent.

The carrying values of these plots of land including infrastructure are as follows:

	2012 - AED' 000	2011 - AED' 000
Plots of land on Saadiyat Island	498,940	625,090
Bridgeway	84,937	84,937
Grand corniche	76,865	76,865
Marina Al Bateen Wharf	108,900	108,900
Island City	77,298	77,298
Tourist Club	-	424,989
Total Carrying Value	**846,940**	**1,398,079**

As at 31 December 2012, all lease agreements are classified as operating leases and the group recognized 6.8 million as income from Bridgeway land, on the other lands no rental income has been recognised as the rental income is due from the date of the completion of the projects being developed on these plots as per the lease agreement and includes an element of both fixed and contingent rental payments. The contingent rentals included in the computation are based on a percentage of operating revenue of the hotels, apartments and retails developed on the lands.

Land held with undetermined future use

The Group has the following plots of land in different locations as held with undetermined future use:

	2012 - AED' 000	2011 - AED' 000
Plots of land on Saadiyat Island	11,494,969	12,626,371
Abu Dhabi Art Boulevard	157,006	121,010
Mafraq & Mirfa land	8,816	8,816
Tourist Club land	424,989	-
Staff Accommodation – Mafraq	545,051	-
Total Carrying Value	**12,630,831**	**12,750,197**

During 2008, the group received three plots of land located in the western region of Abu Dhabi United Arab Emirate as a government grant. The plots were recorded at nominal value of one Dirham. These plots are held with undetermined future use.

During the year, the group has cancelled the lease contract on the Tourist Club Land due to changes in GFA assigned by the Urban Planning Council to the plot. No contingent liabilities on the Group are present due to the termination of the lease contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)**

6 Investment properties (continued)

Fair value information

In 2011 the Group used an independent external valuation professional to determine the fair value of the Saadiyat Island investment property with a carrying amount of AED 13,251.4 million. The fair value of the investment property as per the external valuation amounts to AED 19,211.8 million. The properties are held on the consolidated statement of financial position at approximately AED 108 per square foot on average (2011: AED 105 per square foot). Management determined current year expectations do not differ from previous estimates based on its review of the 2011 valuations.

The fair values of investment properties lands located in the Emirate of Abu Dhabi other than the Saadiyat Island amounted to AED 2,179 million (2011: 2,453 million).

The fair values of each property were determined using an internal valuation. Both a market comparable analysis and a value-in-use determination were made, whereby the lower of the two is represented above.

In 2012, the Group reversed the impairment loss booked in 2010 of AED 36 million for Abu Dhabi Art Boulevard land located in the "Between the Bridges" area of Abu Dhabi. In 2011, the Group used an independent external valuation professional to determine the fair value for the same investment property and the fair value amounted to AED 158 million. Management determined, based on its review of the 2011 valuation, current expectations do not differ from the previous valuation.

In 2012, AED 92.4 million impairment was recorded as an "impairments- investment properties" in the statement of comprehensive income against various residential properties in the portfolio the Group used a discounted cash flow method with a discount rate of 8.25% (2011: 8.75%).

7 Investments in associates

Details of the Group's investments in associates as at 31 December 2012 are as follows:

Name of associate	Principal activities	Place of incorporation and operation	Ownership interest
Parc Hospitality Investment L.L.C	Hospitality and Investment	UAE	20%
Qaryat Al Beri Resort Development Co L.L.C.	Hospitality	UAE	20%
Emirates Pearl Hotel L.L.C	Hospitality	UAE	20%
B2B Properties LLC	Hospitality	UAE	20%

Movement in investment in associates during the year is as follows:

	2012 - AED' 000	2011 - AED' 000
At the beginning of the year	833,545	866,945
Share of increase in the value of contributions	23,414	-
Share of (loss)/ income of associates	(21,902)	10,891
Cash distribution from associates	(4,000)	(44,291)
Dividend distribution received	(8,200)	-
At the end of the year	822,857	833,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

7 Investments in associates (continued)

Summarised financial information in respect of the Group's associates is set out below:

	2012 - AED' 000	2011 - AED' 000
Total assets	4,244,765	4,205,475
Total liabilities	(3,157,660)	(4,414,605)
Net assets/ (liabilities)	**1,087,105**	**(209,130)**
Group's share of net assets/(liabilities)	(52,514)	(41,826)
Contribution of land	875,371	875,371
	822,857	**833,545**

	2012 - AED' 000	2011 - AED' 000
Total revenue	596,406	652,165
Total profit for the year	12,256	54,455
Group's share of (loss)/ profit	**(21,902)**	**10,891**

Contribution of land for investment in associates

The Group has entered into agreements with third parties to develop hotels and other assets on plots of land owned by the Group. The Group and the third parties have established companies to own the assets in which the Group will own 20% interest in these companies. The value of this contribution will be equal to 25% of the development cost of the assets being developed on these plots.

8 Development work-in-progress

Development work-in-progress represents the value of Saadiyat Island land, received as a capital contribution, in addition to the development costs of work-in-progress. The fair value of land was determined on the basis of a valuation performed by an independent chartered surveyor.

	Land AED'000	Development work in progress AED'000	Total AED'000
Balance at 1 January 2011	3,273,608	1,078,843	4,352,451
Additions	-	1,489,146	1,489,146
Transfer to investment properties (Note 6)	(100,060)	-	(100,060)
Transfer to inventory (Note 11)	(4,192)	(65,851)	(70,043)
Balance at 1 January 2012	3,169,356	2,502,138	5,671,494
Additions	-	1,243,658	1,243,658
Transfer to property plant and equipment (Note 5)	-	(269,405)	(269,405)
Transfer from investment properties (Note 6)	466,644	16,344	482,988
Transfer to inventory (Note 11)	(70,588)	(713,112)	(783,700)
Balance at 31 December 2012	**3,565,412**	**2,779,623**	**6,345,035**

Additions to development work-in-progress include capitalised borrowing cost of AED 58 million using a capitalization rate of 4.49% (2011: AED 90.2 million using a capitalization rate of 4.4%).

During the year, the Group classified the Lagoons land to saleable land with the intention of developing and selling the plots for a housing project and accordingly has reclassified an amount of AED 483 million from 'investment properties- undetermined use' to development work-in-progress (Note 6).

During the year, the Group was able to allocate the cost of the St. Regis project and accordingly the costs of the villas that amounted to AED 218.9 million were allocated to development work-in-progress from work-in-progress under property, plant and equipment. This was offset by the transfer of accruals to the value of AED 488.3 million from development work-in-progress to work-in-progress under property, plant and equipment. The net effect is a transfer of AED 269.4 million from development work-in-progress to property, plant and equipment (Note 5).

During the year, the Group has transferred the cost of the completed villas to inventory that amounted to AED 783.7 million (Note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

9 Land held for sale

During 2012, the Group transferred two plots of land at Al Mafraq from land held for sale to investment property of AED 545 million due to changes in the Group business plan.

	AED' 000
Balance at 1 January 2011	-
Transfer from property plant and equipment (Note 5)	177,241
Transfer from investment properties (Note 6)	367,810
Balance at 1 January 2012	545,051
Transfer to investment properties (Note 6)	(545,051)
Balance at 31 December 2012	-

10 Assets classified as held for sale

In accordance with the Executive Committee resolution number 1-1 552 and effective 31 December 2011, the Group was discharged by the Government of Abu Dhabi from the outstanding balances of the Government loans that were converted to Government Grants, in return certain assets will be transferred to the appropriate government entities upon the completion of the construction. The Group will transfer Qasr Hotel, Desert Island Resort and Spa, Manarat Al Saadiyat, Fanr Restaurant, SBY Watersports Centre, SBY Conference Centre and SBY Stable to their parent TCA Abu Dhabi on the 1st of January 2013.

During the year, TDIC has changed the name of QASR LLC to Tourism Investments Assets LLC and transferred its ownership of 99% in the company to TCA Abu Dhabi on 1st of Jan 2013.

TCA Abu Dhabi has signed a management agreement with TDIC charging TDIC with the continued management of the assets on behalf of TCA Abu Dhabi for an annual fee.

Book value of assets held for sale	**31 December 2012 AED'000**
Assets	
Cash and bank balances	13,482
Trade and other receivables	29,232
Property, plant and equipment	2,113,125
Inventory	5,001
Others	1,974
Total assets	**2,162,814**
Liabilities	
Trade and other payables	(40,739)
Deferred government grants (Note 19)	(2,119,917)
Provision for employees' end-of-service benefit	(2,158)
Total liabilities	(2,162,814)
Net	-

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

11 Inventories

Inventories include the cost of completed units transferred from investment properties and development work in progress.

	2012 - AED' 000	2011 - AED' 000
At the beginning of the year	84,049	6,375
Additions	1,157	7,631
Consumption during the year	(1,485)	-
Transfer from development work in-progress (Note 8)	783,700	70,043
Transfer from investment properties (Note 6)	6,448	-
Direct costs	(396,827)	-
Transfer to assets classified as held for sale (Note 10)	(5,001)	-
Balance at 31 December 2012	**472,041**	**84,049**

	2012 - AED' 000	2011 - AED' 000
Completed properties	463,366	70,043
Other operating inventories	8,675	14,006
	472,041	**84,049**

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

12 Trade and other receivables

	2012 - AED' 000	2011 - AED' 000
Trade receivables	168,298	115,108
Less: allowance for doubtful debts	(24,874)	(23,273)
Trade receivable, net	143,424	91,835
Advances to contractors	264,175	391,188
Due from Abu Dhabi Government	314,668	685,614
Accrued interest	119	836
Other receivables	49,817	53,360
	772,203	**1,222,833**

The average credit term period on the sale of goods or services is 60 days. No interest is charged on trade receivables. Trade receivables over 60 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting any new customer, the Group assesses the potential credit quality of the customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the Group's trade receivables are customer balances with a carrying amount of AED 120.1 million which are past due at the end of the reporting date for which no allowance has been provided. There was no significant change in the credit quality of these customers and the amounts are still considered recoverable.

	2012 - AED' 000	2011 - AED' 000
Not past due	23,327	19,165
Past due but not impaired:		
Up to 90 days	12,051	33,228
91 to 120 days	6,897	5,265
More than 120 days	101,149	34,177
	143,424	**91,835**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

12 Trade and other receivables (continued)

Movement in allowance for doubtful debts:

	2012 - AED' 000	2011 - AED' 000
Balance at the beginning of the year	23,273	98
Provision during the year	1,601	23,175
Balance at the end of the year	**24,874**	**23,273**

Due from Abu Dhabi Government

Due from Abu Dhabi Government is comprised of the following:

	2012 - AED' 000	2011 - AED' 000
Refundable costs, net	155,205	526,151
Receivables on sale of land	159,463	159,463
	314,668	**685,614**

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation to the development of certain projects.

13 Prepayments

	2012 - AED' 000	2011 - AED' 000
Prepaid rent	78,072	17,869
Prepaid insurance	5,112	6,908
Prepaid bank loan fees	22,510	40,439
Others	7,798	5,926
	113,492	**71,142**

14 Cash and bank balances

	2012 - AED' 000	2011 - AED' 000
Cash at hand	826	897
Cash at banks:		
Current accounts	2,261,583	1,563,779
Term deposits	213,102	1,601,341
	2,475,511	3,166,017
Add: cash and bank balances classified under assets held for sale (Note 10)	13,482	-
Cash and cash equivalents	2,488,993	3,166,017

Term deposits represent deposits placed at local banks denominated in AED, having original maturities of less than three months and effective interest rates of 0.50% to 3.47% (2011: 0.12% to 3.50%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

15 Shareholder's equity

Share capital

The authorised and paid up share capital of the Group is 10 million shares at AED 10 each.

Increase in capital

The increase in capital of AED 18,185 million resulted from the contribution of land and other property, plant and equipment by TCA Abu Dhabi. Unlike the government grants of land, assets, and cash, these assets have an immediate value to the Group, are available for the Group to use based on its own discretion without any specific requirements, are in populated and extremely valuable areas of Abu Dhabi and are contributed by TCA Abu Dhabi instead of through the government grant process. The assets contributed as capital are recorded at fair value as at the contribution date.

The Group is currently in the process of registering the capital increase with the concerned authorities.

Other contributions

Other contributions of AED 462.6 million represent additional contributions of land and other property, plant and equipment in the Emirate of Abu Dhabi from the Group's shareholders.

Statutory reserve

In accordance with the Articles of Association of the Group, and in line with the provisions of the UAE Federal Commercial Companies Law No.(8) of 1984 (as amended) the Group is required to transfer annually to a legal reserve account an amount equal to 10% of its net profit, until such reserve equals 50% of the paid-up capital of the Company. This reserve is not available for distribution.

16 Provision for employees' end-of-service benefits

	2012 - AED' 000	2011 - AED' 000
Balance at the beginning of the year	22,841	21,170
Charged during the year	15,318	21,674
Paid during the year	(17,876)	(20,003)
Transferred to assets held for sale (Note 10)	(2,158)	-
Balance at the end of the year	**18,125**	**22,841**

17 Advances from customers

Advances from customers as at the year end consist of the following:

	2012 - AED' 000	2011 - AED' 000
Non-current portion	658,614	2,001,072
Current portion	1,489,355	-
At the end of the year	**2,147,969**	**2,001,072**

Advances from customers represent installments collected from customers for the sale of the Group's property developments. Movement during the year is as follows:

	2012 - AED' 000	2011 - AED' 000
Balance at the beginning of the year	2,001,072	1,576,936
Amounts received during the year	968,902	424,136
Refunds and refundable deposits	(46,767)	-
Cancelled/terminated properties	(98,138)	-
Deferred revenue	(52,471)	-
Deposits recognised as revenue during the year	(624,629)	-
Balance at the end of the year	**2,147,969**	**2,001,072**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

18 Bank borrowings

The Group has the following loans from local banks:

	Effective interest rate %	Maturity	2012 AED' 000	2011 AED' 000
a) AED 2,000 million bank loan	**EIBOR + 2.50%**	**December 2015**	2,000,000	2,000,000
b) US$ 600 million loan	**LIBOR + 1.35%**	**December 2013**	2,205,000	2,205,000
c) AED 300 million loan	**EIBOR + 2.00%**	**December 2013**	300,000	300,000
d) US$ 80 million loan	**LIBOR + 2.00%**	**December 2014**	294,000	294,000
e) AED 100 million loan	**EIBOR + 2.50%**	**December 2015**	100,000	-
			4,899,000	**4,799,000**

During the year, the Group has renegoniated loans (a) and (c) and extended maturities until December 2015 and December 2013, respectively from December 2012 with the same terms.

The above loans are unsecured and for general corporate purposes in relation to the Group's various projects. Bank loans are repayable as follow:

	2012 - AED' 000	2011 - AED' 000
Within one year	2,505,000	2,300,000
In the second year	294,000	2,205,000
After the second year	2,100,000	294,000
Amount due for settlement after 12 months	2,394,000	2,499,000
Total bank loans	**4,899,000**	**4,799,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

19 Deferred government grants

Deferred government grants as at the year end consist of the following:

	2012 - AED' 000	2011 - AED' 000
Current portion	72,135	54,758
Non-current portion	10,350,528	11,253,375
At the end of the year	**10,422,663**	**11,308,133**

The current portion of deferred government grants represents the amount to be amortised within one year.

Movement during the year is as follows:

	2012 - AED' 000	2011 - AED' 000
At the beginning of the year	11,308,133	5,298,597
New grants received during the year	1,359,111	437,046
Amortization during the year	(276,972)	(184,791)
Project cost charged against grant (UAE Pavilion)	(45,716)	-
Government loans converted to grants	-	5,757,281
Grants allocated during the year	198,024	-
Transferred to assets held for sale (Note 10)	(2,119,917)	-
At the end of the year	**10,422,663**	**11,308,133**

Deferred government grants represent cash amounts received to fund specific projects. The total budget of these projects is AED 11,914 million, and as of the report date, Abu Dhabi Government is committed to provide grants to finance AED 1,288 million of the development costs of these projects.

An excess grant of AED 557.5 million has resulted from the transfer of these assets to TCA AD and accordingly management has agreed to allocate it to other operating assets.

Accumulated government grants received and amortised are as follows:

	2012 - AED' 000	2011 - AED' 000
Government grants received	6,185,457	4,826,346
Grants recognised on government loans	1,032,752	1,032,752
Government loans converted to grants	5,757,281	5,757,281
Accumulated amortization	(585,218)	(308,246)
Transferred to liabilities directly associated with assets held for sale (Note 10)	(2,119,917)	-
Project cost charged against grant (UAE Pavilion)	(45,716)	-
Grants allocated during the year	198,024	-
At the end of the year	**10,422,663**	**11,308,133**

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

20 Trade and other payables

	2012 - AED' 000	2011 - AED' 000
Trade payables	316,790	345,725
Contractor payables	216,782	1,196,897
Retention payables	200,230	231,784
Accrued infrastructure costs	82,130	259,592
Deferred revenue	26,803	10,145
Accrued expenses	336,436	358,950
Accrued interest	43,275	166,251
	1,222,446	2,569,344

The average credit term period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Deferred revenue

Deferred revenue represents membership fees for Abu Dhabi Golf Club, Saadiyat Beach Golf Club, Monte Carlo Beach Club and St. Regis Hotel and apartments and Eastern Mangroves Hotel received in advance.

Accrued expenses

Accrued expenses include accrued employees bonuses, leave accruals, utility accruals and accruals related to material received but not yet invoiced.

21 Non-convertible bonds and sukuk

	Corporate bonds (a) AED'000	Sukuk (b) AED'000	Total AED'000
31 December 2012			
Face value	3,675,000	3,675,000	7,350,000
Unamortised discount	(4,089)	-	(4,089)
Unamortised issue costs	(5,523)	(3,975)	(9,498)
Carrying amount	**3,665,388**	**3,671,025**	**7,336,413**

	Corporate bonds (a) AED'000	Sukuk (b) AED'000	Total AED'000
31 December 2011			
Face value	3,675,000	3,675,000	7,350,000
Unamortised discount	(6,599)	-	(6,599)
Unamortised issue costs	(128,635)	(6,180)	(134,815)
Carrying amount	**3,539,766**	**3,668,820**	**7,208,586**

(a) On 2 July 2009, the Group issued USD 1 billion in five-year non-convertible bonds under its newly established Global Medium Term Note Programme. The bonds are repayable on 2 July 2014, carry an annual interest rate of 6.5%, which is paid semi-annually and are not subject to restrictive financial covenants.
(b) On 21 October 2009, the Group issued USD 1 billion in five-year non-convertible bonds in the form of Trust Certificates Sukuk under its newly established Trust Certificate Issuance Program. The non-convertible sukuks are structured to confirm to the principles of Islamic sharia. The certificates are due on 21 October 2014, carry an annual profit rate of 4.95%, which is paid semi-annually, and are not subject to restrictive financial covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

22 Revenue and direct costs

	31 December	
	2012 - AED' 000	2011 - AED' 000
Revenue:		
Hotels and resorts	302,007	98,592
Leisure	87,319	81,418
Rental income	109,394	153,621
Residential sales	738,968	-
Other activities	29,675	230
	1,267,363	333,861
Direct costs:		
Hotels and resorts	170,978	45,084
Leisure	37,278	39,139
Rental income	155,319	158,011
Residential sales	203,478	-
Other activities	13,768	-
	580,821	242,234

23 Administration expenses

	2012 - AED' 000	2011 - AED' 000
Payroll and employee related	384,646	461,019
Office general expenses	108,376	120,551
Professional and advisory fees	107,927	61,120
Rent and property management	63,003	52,806
Advertising and marketing	30,667	36,220
Transportation/fleet	20,196	18,136
Travel and entertainment	8,621	7,175
Exhibitions	9,918	4,761
Board of directors remuneration	3,760	3,750
Pre-operating expenses *	49,234	850
Others	24,498	47,358
	810,846	**813,746**

*Pre-opening expenses were incurred on the hotels and properties that started operations during the year.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

24 Transaction and balances with related parties

Related parties represent TCA Abu Dhabi, the Government of Abu Dhabi- the ultimate controlling party, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by the Group.

Related parties balances:

	2012 - AED' 000	2011 - AED' 000
Due from Abu Dhabi Government (Note 12)	314,668	685,614
Bank borrowings from entities under common control (Note 18)	3,061,500	2,961,500
Bank balances with entities under common control	2,421,955	3,138,518

Significant transactions with related parties during the year comprise:

	2012 - AED' 000	2011 - AED' 000
Deferred government grants received (Note 19)	1,359,111	437,046
Government loans converted to grants (Note 19)	-	5,757,281
Government loan received	-	2,800,000
Bank borrowing received from entities under common control	100,000	2,594,000
Management fee income	25,916	33,878
Interest expense on loans from entities under common control	122,928	70,642
Interest income on deposits and current accounts from entities under common control	31,290	20,446
Short term management benefits	65,717	65,497

Management fee income represents a management fee of 4.5% to 4.7% of the cost of certain projects managed by TDIC on behalf of the government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

25 Commitments and contingencies

As at 31 December 2012, the Group's estimated contractual commitments for capital expenditure amounted to AED 3,147 million (2011: AED 5,805 million).

In addition, the Group has entered into letters of credit and guarantee arrangements with various banking institutions. Letters of guarantee and letters of credit issued by financial institutions represent mainly advance payment guarantees by TDIC. The letters of guarantee were issued in the normal course of business. Respective undrawn bank commitments as at 31 December 2012 and 2011 are as follow:

	2012 - AED' 000	2011 - AED' 000
Letters of guarantee	2,120	2,120
Letters of credit	-	16,307

26 Finance costs

	2012 - AED' 000	2011 - AED' 000
Gross costs	620,907	699,115
Less: Amounts included in the cost of qualifying assets	(87,921)	(404,799)
	532,986	**294,316**
Interest on overdraft and other facilities	-	48,224
	532,986	**342,540**

27 Cash flow information

The following significant non-cash transactions were excluded from the cash flow statement:

	2012 - AED' 000	2011 - AED' 000
Capitalised finance cost on property, plant and equipment (Note 5)	17,405	142,023
Capitalised finance cost on investment properties (Note 6)	12,796	172,531
Capitalised finance cost on development work in progress (Note 8)	57,720	90,245
Transfer of property, plant and equipment to investment properties (Note 5)	(896,099)	(58,866)
Transfer of property, plant and equipment from development work in progress (Note 5)	269,405	-
Transfer of development work in progress from investment properties (Note 8)	482,988	(100,060)
Transfer of property, plant and equipment to land held for sale (Note 5)	-	(177,241)
Transfer of investment properties from/ (to) land held for sale (Note 6)	545,051	(367,811)
Government loans converted to grants	-	(5,757,281)
Transfer from investment properties to inventory (Note 11)	6,448	-
Transfer from development work-in-progress to inventory (Note 11)	783,700	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

28 Operating lease arrangements

28.1 The Group as lessee

Operating leases primarily consist of the lease of a residential compound with a term of 5 years. The Group does not intend to purchase the residential compound at the expiry of the lease periods.

28.2 The Group as lessor

Operating leases relate to investment property owned by the Group with lease terms of 99 years. The lessee does not intend to purchase the property at the expiry of the lease periods (Note 6).

29 Financial instruments

29.1 Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

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

The Group monitors its cost of debt on a regular basis. At 31 December 2012, the weighted average cost of debt was 4.49% (2011: 4.39%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants borrowing arrangements require the Group maintaining loan to asset ratio which should be less than or equal to 1:1 and total borrowings should be less than AED 18.38 billion.

Gearing ratio

The Group's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and debt. The Group has targeted a maximum gearing ratio of 1:1 determined as the proportion of debt to equity.

The gearing ratio at the year end was as follows:

	2012 - AED' 000	2011 - AED' 000
Debt (1)	12,235,413	12,007,586
Equity (2)	13,246,234	15,397,471
Debt to equity ratio	0.92:1	0.78:1

(i) Debt is defined as long and short-term borrowings, as detailed in Note 18 and 21.

(ii) Equity includes all capital and reserves of the Group.

29.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis.

	2012 - AED' 000	2011 - AED' 000
Financial assets		
Loans and receivables (including cash and bank balances)	3,088,251	4,229,387
Financial liabilities		
Non-convertible bonds and sukuk	7,336,413	7,208,586
Trade and other payables, net of deferred revenue	1,195,643	2,569,344
Bank borrowings	4,899,000	4,799,000
Interest rate swap contracts	27,754	66,569
Total	13,458,810	14,643,499

The carrying amount reflected above represent the Group's maximum exposure to credit risk for such loans and receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

29 Financial instruments (continued)

29.3 Financial risk management objectives

The Group is exposed to the following risks related to financial instruments – market risk, credit risk, liquidity risk, and fair value risk

29.4 Market risk management

Foreign currency risk management

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have any significant exposure to currency risk as most of its assets are denominated in UAE Dirhams and United States Dollars (USD). The exchange rate of the UAE Dirham is fixed to the US Dollar and therefore the associated risks are considered insignificant.

Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating and fixed interest rates. The Group's exposures to interest rates on financial liabilities are detailed in Notes 18 and 21.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the statement of financial position date was outstanding for the whole year. A 50 basis point increase or decrease is used to represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by AED 24.5 million (2011: decrease/increase by AED 24 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate 2012 %	Notional principal amount 2012 AED'000	Fair value 2012 AED'000
Non-current derivative liabilities	3.27	367,500	(24,193)
Current derivative liabilities			
	3.38	367,500	(2,887)
	3.43	323,400	2,575
	3.80	250,000	(1,596)
	3.89	250,000	(1.653)
		1,190,900	(3,561)
		1,558,400	(27,754)

	Average contracted fixed interest rate 2011 %	Notional principal amount 2011 AED'000	Fair value 2011 AED'000
Non-current derivative liabilities	3.27	367,500	(29,994)
Current derivative liabilities			
	3.38	367,500	(12,624)
	3.43	323,400	(11,113)
	3.80	250,000	(6,191)
	3.89	250,000	(6,647)
		1,558,400	(66,569)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

29 Financial instruments (continued)

29.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

29.6 Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective interest rate %	Less than one year AED'000	More than one year AED'000
2012			
Non-interest bearing		1,195,643	-
Fixed interest rate	Note 21	-	7,336,413
Variable interest bearing instruments	Note 18	2,505,000	2,394,000
		3,700,643	**9,730,413**
2011			
Non-interest bearing			
Fixed interest rate	Note 21	2,569,344	-
Variable interest bearing instruments	Note 18	-	7,208,586
		2,300,000	2,499,000
		4,869,344	**9,707,586**

29.7 Fair value of financial instruments

Fair value represents the amount at which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book value under the historical cost method and fair value estimates.

Fair value of financial instruments carried at amortised cost

Management estimates that the carrying value of short term financial assets and liabilities approximates fair value due to the short timeframe. This includes demand deposits, savings accounts without a specific maturity and variable rate financial instruments. Management estimates the carrying value of the long-term loan to approximate fair value due to the variable interest rate associated with the loan.

Notes to the consolidated financial statements
for the year ended 31 December 2012 (continued)

29 Financial instruments (continued)

29.7 Fair value of financial instruments (continued)

The fair values of all other financial liabilities are as follows:

	As at 31 December 2012		As at 31 December 2011	
	Carrying amount AED'000	Fair value AED'000	Carrying amount AED'000	Fair value AED'000
Corporate bonds (Note 21)	3,665,388	3,959,812	3,539,766	3,976,350
Sukuk (Note 21)	3,671,025	3,886,312	3,668,820	3,891,825

The fair value for investments in associates (Note 7) has not been disclosed because it cannot be reliably measured due to the fact that those investments are not quoted and the Group does not have information to estimate the fair value. However, there are no indications of impairment associated with the investment in associates.

Fair value measurements recognised in the statement of financial position

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to fair valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the corporation's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. These financial instruments have standard terms and conditions;
- Level 2 fair value measurements are derived from inputs other than quoted prices (that is, the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments), and
- Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2012, the derivative financial liabilities are grouped in Level 2, and have a fair value recorded of AED 27.75 million. The fair values of derivative instruments are determined by independent valuers and are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

There are no transactions between levels during the year.

30 Segment reporting

The Group operates in one geographical segment, i.e. the United Arab Emirates. Due to the nature of the Group, TDIC's chief operating decision-maker regularly reviews operating activity based on types of goods or services delivered or provided.

Measurement of segmental assets, liabilities, income and expenses is in accordance with the Group's accounting policies. Information provided to TDIC's chief operating decision-maker to make decisions about allocating resources to, and assessing the performance of, operating segments is measured in accordance with IFRS. Segmental income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made.

For management purposes and for the chief operating decision maker to allocate resources and assess performance, the Group is organized into the following segments:

- Education: Develop and manage schools operations.
- Food and Beverage: Manage restaurant operations.
- Real Estate: Largely related to the development and sale of land on Saadiyat Island, the development of Sir Bani Yas Island into a tourism destination, and development of land in and surrounding the city of Abu Dhabi and throughout the emirate.
- Hotels: Provide accommodation, food and beverage services, spa and recreational facilities.
- Leisure: Provide sports and leisure facilities together with food and beverage outlets.
- Unallocated: Balances and/or income and expense items not allocated to any of the Group's business segments in the internal management reporting systems, as they are not initiated by any of the business units and represent part of the Group's routine headquarter activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Segment reporting (continued)

The following table shows the Group's segment analysis

Year ended 31 December 2012	Education AED'000	Food & beverage AED'000	Hotels AED'000	Leisure AED'000	Real estate AED'000	Unallocated AED'000	Group AED'000
Revenue	-	-	302,007	87,319	848,362	29,675	1,267,363
Direct expenses	-	-	(170,978)	(37,278)	(358,797)	(13,768)	(580,821)
Net loss for the year	(748)	(9,890)	(1,281,482)	109,372	(486,975)	(481,514)	(2,151,237)
Finance cost	-	-	(3,851)	(883)	(528,215)	(37)	(532,986)
Finance income	-	12	-	9	27,683	3,595	31,299
Impairment – property, plant and equipment	-	-	(616,902)	(431,942)	-	-	(1,048,844)
Impairment – investment properties	-	-	-	-	(56,447)	-	(56,447)
Assets	62.340	19,537	6,557,285	980,018	31,979,589	1,884,649	41,483,418
Liabilities	137	5,043	2,681,102	955,034	24,458,631	137,237	28,237,184
Capital expenditures	-	-	154,144	87,907	126,182	168,513	536,746
Depreciation	-	-	(190,639)	(108,720)	(156,056)	(208,411)	(663,826)
Year ended 31 December 2011							
Revenue	-	-	98,592	81,418	153,621	230	333,861
Direct expenses	-	-	(45,084)	(39,139)	(158,011)	-	(242,234)
Net loss for the year	-	-	(109,122)	(77,251)	(604,117)	(480,338)	(1,270,828)
Finance cost	-	-	-	(54)	(342,486)	-	(342,540)
Finance income	-	-	-	23	23,703	-	23,726
Assets	-	-	3,069,047	783,348	36,827,852	2,692,769	43,373,016
Liabilities	-	-	2,559,537	154,868	25,135,629	125,511	27,975,545
Capital expenditures	-	-	5,015	45,128	2,516,366	32,403	2,598,912
Depreciation	-	-	(176,329)	(45,206)	(52,009)	(197,684)	(471,228)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

31 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 April 2013.