

SOROUH REAL ESTATE PJSC

**Review report and interim
financial information for the
period ended 31 March 2010**

SOROUH REAL ESTATE PJSC

Review report and interim financial information for the period ended 31 March 2010

| | Pages |
|---|---------------|
| Report on review of interim financial information | 1 |
| Condensed consolidated statement of financial position | 2 - 3 |
| Condensed consolidated statement of income | 4 |
| Condensed consolidated statement of comprehensive income | 5 |
| Condensed consolidated statement of changes in equity | 6 |
| Condensed consolidated statement of cash flows | 7 |
| Notes to the condensed consolidated financial statements | 8 - 30 |

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors
Sorouh Real Estate PJSC
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Sorouh Real Estate PJSC (the "Company") and its subsidiaries (together referred to as the "Group") as of 31 March 2010 and the related condensed consolidated statement of income, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three-months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

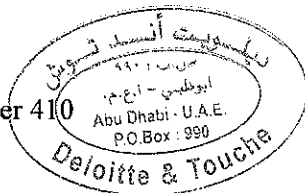
Conclusion

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

Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
28 April 2010



**Condensed consolidated statement of financial position
as at 31 March 2010**

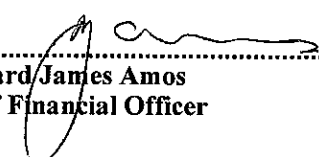
| ASSETS | Notes | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|--------------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | | 170,780 | 172,476 |
| Investment properties | 4 | 983,130 | 983,130 |
| Investment properties under development | 5 | 398,267 | 257,223 |
| Intangible assets | | 133,082 | 134,298 |
| Goodwill | | 478,508 | 478,508 |
| Investment in associates and joint ventures | 6 | 289,708 | 301,086 |
| Available-for-sale financial assets | 7 | 138,972 | 138,502 |
| Prepaid leases – long term | | 19,616 | 19,724 |
| Trade and other receivables | 8 | 899,969 | 1,169,345 |
| Other financial assets | | 12,518 | 15,907 |
| Total non-current assets | | 3,524,550 | 3,670,199 |
| Current assets | | | |
| Inventories | | 29,242 | 13,237 |
| Land held for resale | 9 | 625,284 | 638,505 |
| Development work-in-progress | 10 | 4,100,103 | 3,778,406 |
| Financial assets at fair value through profit or loss | 11 | 22,350 | 20,497 |
| Trade and other receivables | 8 | 3,019,616 | 2,813,258 |
| Cash and cash equivalents | 12 | 1,958,688 | 2,763,448 |
| Total current assets | | 9,755,283 | 10,027,351 |
| Total assets | | 13,279,833 | 13,697,550 |

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

**Condensed consolidated statement of financial position
as at 31 March 2010 (continued)**

| | Notes | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|-------|--|---|
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 13 | 2,625,000 | 2,500,000 |
| Share issuance costs, net | | (5,292) | (5,292) |
| Statutory reserve | | 457,387 | 457,387 |
| Hedging reserve | | (17,482) | (14,093) |
| Revaluation reserve | | (12,065) | (12,659) |
| Translation reserve | | (1,234) | (1,652) |
| Retained earnings | | 3,098,030 | 3,102,930 |
| Equity attributable to Owners of the parent | | 6,144,344 | 6,026,621 |
| Non-controlling interest | | 99,958 | 97,968 |
| Total equity | | 6,244,302 | 6,124,589 |
| Non-current liabilities | | | |
| Non-convertible Sukuk | 14 | 601,358 | 970,078 |
| Provision for end of service benefits | | 27,555 | 25,880 |
| Bank borrowings – long term | | 113,594 | 112,828 |
| Other long term payables | | 34,975 | 37,058 |
| Total non-current liabilities | | 777,482 | 1,145,844 |
| Current liabilities | | | |
| Non-convertible Sukuk | 14 | 895,855 | 970,565 |
| Trade and other payables | 15 | 5,301,327 | 5,297,568 |
| Notes payable – short term | | 39,609 | 139,609 |
| Bank borrowings – short term | | 21,258 | 19,375 |
| Total current liabilities | | 6,258,049 | 6,427,117 |
| Total liabilities | | 7,035,531 | 7,572,961 |
| Total equity and liabilities | | 13,279,833 | 13,697,550 |


Abubaker Seddiq Al Khouri
Managing Director


Richard James Amos
Chief Financial Officer

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

**Condensed consolidated statement of income
for the period ended 31 March 2010**

| | Notes | 3 months ended 31 March | |
|---|-------|--------------------------------|--------------------------------|
| | | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Revenue | | 430,684 | 335,640 |
| Cost of revenue | | (209,216) | (137,370) |
| Gross operating profit | | 221,468 | 198,270 |
| Unrealised gain/(loss) on financial assets at fair value through profit or loss | | 1,853 | (564) |
| Realised gain/(loss) on disposal of available-for-sale financial assets | | 25 | (5,148) |
| Share of net losses from associates and joint ventures | | (10,087) | (7,061) |
| Project costs written off and impaired | | (273) | - |
| Impairment loss on available-for-sale financial assets | | - | (3,432) |
| General and administrative expenses | | (82,811) | (66,950) |
| Selling and marketing expenses | | (11,961) | (19,577) |
| Finance income | 16 | 5,269 | 43,602 |
| Finance costs | 17 | (18,929) | (42,208) |
| Other income | 18 | 27,088 | 33,515 |
| Profit for the period | | 131,642 | 130,447 |
| Attributable to: | | | |
| Owners of the parent | | 129,756 | 125,457 |
| Non-controlling interest | | 1,886 | 4,990 |
| | | 131,642 | 130,447 |
| Basic and diluted earnings per share (in AED per share) | 19 | 0.05 | 0.05 |

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

**Condensed consolidated statement of comprehensive income
for the period ended 31 March 2010**

| | 3 months ended 31 March | |
|---|---|---|
| | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Profit for the period | 131,642 | 130,447 |
| Other comprehensive loss | | |
| Release on disposal of available-for-sale financial assets | 594 | 4,145 |
| Increase in fair value of available-for-sale financial assets | - | 7,807 |
| Impairment loss on available-for-sale financial assets | - | 3,432 |
| Interest rate cash flow hedge | (3,389) | (2,817) |
| Exchange differences arising on translation of foreign operations | 522 | (776) |
| Directors' remuneration | (9,656) | (37,163) |
| Other comprehensive loss for the period | (11,929) | (25,372) |
| Total comprehensive income for the period | 119,713 | 105,075 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 117,723 | 100,240 |
| Non-controlling interest | 1,990 | 4,835 |
| | 119,713 | 105,075 |

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

SOROUH REAL ESTATE PJSC

6

**Condensed consolidated statement of changes in equity
for the period ended 31 March 2010 (unaudited)**

| | Share capital AED'000 | Share issuance costs, net AED'000 | Statutory reserve AED'000 | Hedging reserve AED'000 | Revaluation reserve AED'000 | Translation reserve AED'000 | Retained earnings AED'000 | Equity attributable to Owners of the parent AED'000 | Non- controlling interest AED'000 | Total AED'000 |
|---|-----------------------------|--|---------------------------------|-------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---|--|------------------|
| Balance at 1 January 2009 | 2,500,000 | (5,292) | 409,108 | (1,423) | (37,112) | (1,518) | 3,085,903 | 5,949,666 | 8,658 | 5,958,324 |
| Profit for the period | - | - | - | - | - | - | 125,457 | 125,457 | 4,990 | 130,447 |
| Other comprehensive loss | - | - | - | (2,817) | 15,384 | (621) | (37,163) | (25,217) | (155) | (25,372) |
| Non-controlling interest in the capital of subsidiaries established during the period | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | (300,000) | (300,000) | 43 | (300,000) |
| Balance at 31 March 2009 | 2,500,000 | (5,292) | 409,108 | (4,240) | (21,728) | (2,139) | 2,874,197 | 5,749,906 | 13,536 | 5,763,442 |
| Balance at 1 January 2010 | 2,500,000 | (5,292) | 457,387 | (14,093) | (12,659) | (1,652) | 3,102,930 | 6,026,621 | 97,968 | 6,124,589 |
| Profit for the period | - | - | - | - | - | - | 129,756 | 129,756 | 1,886 | 131,642 |
| Other comprehensive loss | - | - | - | (3,389) | 594 | 418 | (9,656) | (12,033) | 104 | (11,929) |
| Issue of bonus shares | 125,000 | - | - | - | - | - | (125,000) | - | - | - |
| Balance at 31 March 2010 | 2,625,000 | (5,292) | 457,387 | (17,482) | (12,065) | (1,234) | 3,098,030 | 6,144,344 | 99,958 | 6,244,302 |

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

**Condensed consolidated statement of cash flows
for the period ended 31 March 2010**

| | 3 months ended 31 March | |
|---|---|---|
| | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Net cash used in operating activities | (197,576) | (242,932) |
| Investing activities | | |
| Payments for property, plant and equipment | (8,842) | (6,732) |
| Proceeds from disposal of property, plant and equipment | 3,446 | - |
| Payments for investment properties under development | (141,044) | (12,668) |
| Proceeds from disposal of available for sale financial assets | 149 | 19,842 |
| Interest received | 13,384 | 41,179 |
| Dividend received | - | 8,000 |
| Movement in term deposits with original maturities greater than three months and restricted short term deposits | 1,176,464 | 16,054 |
| Net cash from investing activities | 1,043,557 | 65,675 |
| Financing activities | | |
| Minority contribution in the capital of subsidiary | - | 43 |
| Net movement in bank borrowings | 1,089 | (59,623) |
| Directors' remuneration paid | - | (37,163) |
| Repayment of non-convertible Sukuk | (452,834) | (499,689) |
| Finance costs paid on Sukuk loan | (21,374) | (56,154) |
| Other finance costs paid | (1,158) | (3,837) |
| Net cash used in financing activities | (474,277) | (656,423) |
| Net increase/(decrease) in cash and cash equivalents | 371,704 | (833,680) |
| Cash and cash equivalents at the beginning of the period | 1,441,727 | 5,615,042 |
| Cash and cash equivalents at the end of the period | 1,813,431 | 4,781,362 |

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

**Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2010**

1 General

Sorouh Real Estate PJSC (the “Company”) was initially formed by a Ministerial Decree dated 23 July 2005 and formally incorporated as a public joint stock company in the Emirate of Abu Dhabi, United Arab Emirates, on 26 July 2005. The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) include real estate development and sale, real estate investment, property management, contracting works and related services.

The Company is domiciled in the United Arab Emirates and its registered office is P.O. Box 93666 Abu Dhabi, United Arab Emirates.

2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

| New Standards and amendments to Standards: | Effective for annual periods beginning on or after |
|---|---|
| • IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue | 1 February 2010 |
| • IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government | 1 January 2011 |
| • IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7) | 1 January 2013 |
| New Interpretations and amendments to Interpretations: | |
| • IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i> | 1 July 2010 |
| • Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i> | 1 January 2011 |

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

**Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and also complies with the applicable requirements of the laws in the U.A.E.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments.

These condensed consolidated financial statements are presented in UAE Dirhams (AED) as this is the currency in which the majority of the Group’s transactions are denominated.

The accounting policies and estimates used in the preparation of these condensed consolidated financial statements are consistent with those in the audited annual financial statements for the year ended 31 December 2009.

As required by the Securities and Commodities Authority (“SCA”) notification dated 12 October 2008, accounting policies relating to investments in associates and joint ventures, investment properties, investment properties under development, development work in progress, land held for sale, and financial assets have been disclosed in paragraphs 3.3 to 3.10 below.

**Notes to the interim condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation

Details of the Company's subsidiaries at 31 March 2010 are as follows:

| Name of subsidiaries | Place of incorporation | ownership interest % | Principal Activities |
|---|-------------------------------|-----------------------------|--|
| Sorouh International Limited | U.A.E. | 100 | Holding company of foreign entities |
| Gate Towers- Shams Abu Dhabi L.L.C. | U.A.E. | 100 | Development of Gate Towers |
| Sorouh Abu Dhabi Real Estate L.L.C. | U.A.E. | 100 | Act as Mudareb in accordance with the Sukuk Issue structure |
| Sorouh International Development Limited | U.A.E. | 100 | Development of properties and real estate |
| Sorouh International Morocco Limited | U.A.E | 100 | Development of properties and real estate |
| Lulu Island for Project Development L.L.C. | U.A.E | 100 | Development of properties and real estate |
| Tilal Liwa Real Estate Investing L.L.C. | U.A.E | 100 | Property, rental and management |
| Sun Finance Limited | Jersey, Channel Islands | 100 | Issuance of the Sukuk Certificates and execution of the issuance documents |
| Al Seih Real Estate Management L.L.C. | U.A.E | 91.4 | Management and leasing of real estate; real estate projects investment |
| Seih Sdeirah Real Estate L.L.C. | U.A.E. | 91.4 | Property rental and management; real estate projects investments |
| Sorouh Egypt for Investment and Tourism Development JSC | Egypt | 80 | Investment in tourism activity |
| Khidmah L.L.C | U.A.E | 60 | Management and leasing of real estate |
| Pivot Engineering & General Contracting Co. (WLL) | U.A.E | 60 | Engineering and general construction works |

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)****3 Summary of significant accounting policies (continued)****3.3 Interests in joint ventures**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The results and assets and liabilities of joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint venture are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

3.4 Investment in an associate

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 results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of 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 associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3.5 Investment property

Investment property, which is property held to earn rental income and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the condensed consolidated statement of income in the period in which they arise.

3.6 Investment properties under development

Investment properties under development that are being constructed or developed for future use as investments property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment property under development is measured at fair value. Gains and losses arising from changes in the fair value of investment property under development are included in the condensed consolidated statement of income in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)****3 Summary of significant accounting policies (continued)****3.7 Development work-in-progress**

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

3.8 Land held for resale

Land held for resale is stated at lower of cost and net realisable value. Costs include the cost of land acquired. Net realisable value represents the estimated selling price of the land less all estimated costs necessary to make the sale.

3.9 Financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are measured at fair value.

Financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss (FVTPL), available for sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.9.1 Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)****3 Summary of significant accounting policies (continued)****3.9 Financial assets (continued)****3.9.1 Financial assets at fair value through profit or loss (continued)**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through profit or loss are determined by reference to quoted market prices.

3.9.2 Available-for-sale financial assets

Available-for-sale investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the net profit or loss for the period. Impairment losses recognised in condensed consolidated statement of income for equity investments classified as available-for-sale are not subsequently reversed through condensed consolidated statement of income.

3.9.3 Loans and receivables

Trade receivables 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, 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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

3.9.4 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

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

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

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

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

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

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

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

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)****3 Summary of significant accounting policies (continued)****3.10 Derivative financial instruments**

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the condensed consolidated statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

3.10.1 Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3.10.2 Cash flow hedges

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

Amounts deferred in equity are recycled in the condensed consolidated statement of income in the periods when the hedged item is recognised in condensed consolidated statement of income, in the same line of the condensed consolidated statement of income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.10 Derivative financial instruments (continued)

3.10.2 Cash flow hedges (continued)

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

4 Investment properties

Investment properties are comprised of the following:

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|---|--|---|
| Land held as investment property | 149,851 | 149,851 |
| Villas held as investment property | 833,279 | 833,279 |
| | <hr/> | <hr/> |
| | 983,130 | 983,130 |
| | <hr/> | <hr/> |
| Movement during the period is as follows: | | |
| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
| Opening balance | 983,130 | 357,636 |
| Transfer from investment properties under development (note 5) | - | 540,451 |
| Increase in fair value, net | - | 82,773 |
| Additions | - | 2,270 |
| | <hr/> | <hr/> |
| | 983,130 | 983,130 |
| | <hr/> | <hr/> |

All investment properties are located in the United Arab Emirates.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

5 Investment properties under development

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|--|---|
| Opening balance | 257,223 | 602,408 |
| Additions during the period/year | 141,044 | 195,266 |
| Transfer to investment properties (note 4) | - | (540,451) |
| | <hr/> 398,267 <hr/> | <hr/> 257,223 <hr/> |

All investment properties under development are located in the United Arab Emirates.

6 Investment in associates and joint ventures

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

Investment in associates

The following summarises the movement in the Group's investment in associates:

- Recognition of an amount of AED 9.99 million representing the Group's share of loss from associates.
- Disposal of investment in LLJ Properties LLC with a carrying value of AED 2.75 million and realising a gain of AED 2.1 million.

All the associates of the Group are incorporated in the United Arab Emirates.

Investments in joint ventures

The following summarises the movement in the Group's investment in joint ventures:

- Recognition of an amount of AED 0.1 million representing the Group's share of loss from joint ventures.

All the joint ventures of the Group are incorporated in the United Arab Emirates.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

7 Available-for-sale financial assets

Available-for-sale financial assets represent investments in unlisted equity securities of companies registered in the United Arab Emirates and non-UAE based funds.

Due to the absence of an active market or any recent transactions that could provide evidence of the current fair value, the unlisted equity securities registered in United Arab Emirates are carried at cost less impairment losses, if any. Management believes that the fair market value of these securities approximates their carrying value. The fair value of the non-UAE based funds is based on the latest quotations available in the market.

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|---|--|---|
| Balance at the beginning of the period/year | 138,502 | 148,887 |
| Additions during the period/year | - | 4,066 |
| Transfer from investment in associates | - | 80,000 |
| Disposals during the period/year | (134) | (118,904) |
| Release of fair value on disposals during the period/year | - | 16,171 |
| Changes in fair value | 604 | 8,282 |
| | <hr/> | <hr/> |
| Balance at the end of the period/year | 138,972 | 138,502 |
| | <hr/> <hr/> | <hr/> <hr/> |

The geographical distribution of available-for-sale financial assets is as follows:

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|-----------------|--|---|
| Within the UAE | 113,046 | 112,442 |
| Outside the UAE | 25,926 | 26,060 |
| | <hr/> | <hr/> |
| | 138,972 | 138,502 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

8 Trade and other receivables

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|------------------------------------|--|---|
| Non-current portion | | |
| Trade receivables | 864,662 | 1,120,920 |
| Due from related parties (note 20) | 1,200 | 1,800 |
| Retentions receivable | 34,107 | 46,625 |
| | <hr/> | <hr/> |
| | 899,969 | 1,169,345 |
| | <hr/> | <hr/> |
| Current portion | | |
| Trade receivables | 1,943,792 | 1,765,507 |
| Less: allowance for doubtful debts | (81,796) | (77,611) |
| | <hr/> | <hr/> |
| | 1,861,996 | 1,687,896 |
| Advances to contractors | 572,030 | 588,377 |
| Advance for investment property | 184,366 | 184,366 |
| Due from related parties (note 20) | 125,243 | 75,129 |
| Retentions receivable | 36,545 | 7,402 |
| Gross amount due from customers | 40,472 | 43,124 |
| Accrued income | 24,913 | 29,848 |
| Prepayments | 19,280 | 16,736 |
| Interest receivable | 5,786 | 7,043 |
| Other receivables | 148,985 | 173,337 |
| | <hr/> | <hr/> |
| | 3,019,616 | 2,813,258 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 Land held for resale

The land held for resale at the period end is located in the United Arab Emirates.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

10 Development work-in-progress

Development work-in-progress represents development and construction costs incurred on properties being constructed and are related to the following projects:

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|--|---|
| Balance at beginning of the period/year | 3,778,406 | 2,474,754 |
| Additions during the period/year | 404,417 | 2,427,691 |
| Transfer to an associate | - | (66,383) |
| Disposals during the period/year | (83,213) | (905,437) |
| Interest capitalised | 766 | 5,012 |
| | <u>4,100,376</u> | <u>3,935,637</u> |
| Less: Project costs written off during the period/year | (273) | (157,231) |
| Balance at the end of the period/year | <u><u>4,100,103</u></u> | <u><u>3,778,406</u></u> |

The Group is also pursuing several other projects which are currently at the design or the pre-development phases.

All development work in progress relates to projects undertaken in the United Arab Emirates, except for the Egypt project with a carrying value of AED 63.1 million which is still in the pre-development phase.

11 Financial assets at fair value through profit or loss

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|---|--|---|
| Balance at the beginning of the period/year | 20,497 | 29,333 |
| Disposal during the period/year | - | (17,243) |
| Fair value gain | 1,853 | 8,407 |
| | <u>22,350</u> | <u>20,497</u> |
| Balance at the end of the period/year | <u><u>22,350</u></u> | <u><u>20,497</u></u> |

The investments included above are held for trading and represent investments in equity securities listed in the United Arab Emirates that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of these securities are based on quoted market prices.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

12 Cash and cash equivalents

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|--|---|
| Cash in hand | 582 | 668 |
| Current account | 143,325 | 184,097 |
| Fixed deposits | 1,635,804 | 1,903,793 |
| Call account | 178,977 | 674,890 |
| | <u>1,958,688</u> | <u>2,763,448</u> |
| Less: | | |
| Short term deposits with original maturities date greater than three months | - | (1,000,000) |
| Deposits held under lien by the banks | (145,257) | (157,779) |
| | <u>1,813,431</u> | <u>1,605,669</u> |

The interest rate on term deposits ranges between 0.8% and 4.25% per annum.

Cash and cash equivalents as at 31 March 2010 include fixed deposits for an amount of AED 981 million (31 December 2009: AED 1.3 billion) whose use is restricted for the financing of certain infrastructure construction costs.

Cash and cash equivalents as at 31 March 2010 includes current account balances of AED 131 million (31 December 2009: AED 178 million) held with foreign banks.

13 Share capital

In their Annual General Meeting held on 17 March 2010, the Shareholders approved a bonus share issue proposed by the Board of Directors amounting to AED 125,000,000.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

14 Non-convertible Sukuk

The non-convertible Sukuk are presented in the condensed consolidated statement of financial position as follows:

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|--|---|
| Proceeds from the issue of non-convertible Sukuk | 4,016,000 | 4,016,000 |
| Less: Issuance costs | (123,254) | (123,254) |
| | <hr/> | <hr/> |
| Net proceeds from the issue of non-convertible Sukuk | 3,892,746 | 3,892,746 |
| Payments | (2,494,500) | (2,041,666) |
| Profit distribution accrued up to period/ year end | 98,967 | 89,563 |
| | <hr/> | <hr/> |
| Carrying amount of non-convertible Sukuk | 1,497,213 | 1,940,643 |
| Less: current portion | (895,855) | (970,565) |
| | <hr/> | <hr/> |
| Non-current portion of non-convertible Sukuk | 601,358 | 970,078 |
| | <hr/> <hr/> | <hr/> <hr/> |

Sukuk profit payable amounting to AED 13.8 million (31 March 2009: AED 30.4 million) has been capitalised during the period.

As per the terms of the issuance, an amount of AED 1.84 billion of the proceeds was deposited in Reserve Accounts and will be mainly used to fund infrastructure development and any shortfall in profits payable. The Sukuk are secured by first fixed charge security over the Reserve Accounts and a floating charge over some of the Group's business and assets.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

15 Trade and other payables

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|---|--|---|
| Advances from customers | 2,738,220 | 2,752,088 |
| Provision for infrastructure construction | 876,540 | 870,835 |
| Accrued expenses | 635,423 | 736,749 |
| Retention payable | 306,433 | 277,085 |
| Trade payables | 326,611 | 266,225 |
| Gross amounts due to contracts' customers | 110,189 | 96,971 |
| Due to related parties (note 20) | 135,512 | 134,394 |
| Dividend payable | 42,477 | 47,879 |
| Provision for future losses from projects | 9,010 | 9,010 |
| Other payables | 120,912 | 106,332 |
| | <u>5,301,327</u> | <u>5,297,568</u> |

16 Finance income

| | 3 months ended 31 March | |
|--|---|---|
| | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Gross finance income | 12,127 | 63,274 |
| Amounts offset against the finance costs capitalised during the period | (6,858) | (19,672) |
| | <u>5,269</u> | <u>43,602</u> |

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

17 Finance costs

| | 3 months ended 31 March | |
|---|---|---|
| | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Gross finance costs | 33,519 | 72,950 |
| Net foreign exchange (gain)/loss | (24) | 1,204 |
| Amounts included in the cost of qualifying assets | (14,566) | (31,946) |
| | 18,929 | 42,208 |

18 Other income

| | 3 months ended 31 March | |
|-----------------------------------|---|---|
| | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Late payment charges income | 6,295 | 26,286 |
| Management fees from an associate | 3,498 | - |
| Gain on disposal of an associate | 2,070 | - |
| Transfer and other fees | 7,500 | 2,912 |
| Others | 7,725 | 4,317 |
| | 27,088 | 33,515 |

19 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.

The earnings per share for the period ended 31 March 2009 have been restated to reflect the bonus issue of 125,000,000 during the current period in accordance with International Accounting Standard No. 33.

The Company has not issued any instruments which would have an impact on earnings per share when exercised, and accordingly the diluted earnings per share are the same as the basic earnings per share.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

20 Transactions and balances with related parties

Related parties include the Group's major shareholders, directors, and business controlled by them and their families or over which they exercise a significant influence as well as key management personnel.

The Group maintains significant balances with these related parties, which are as follows:

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|--|--|---|
| Due from related parties | | |
| Due from associates | 113,606 | 73,329 |
| Due from directors | 3,000 | 3,600 |
| Others | 8,637 | - |
| | <u>125,243</u> | <u>76,929</u> |
| Due to related parties | | |
| Due to non- controlling shareholders in subsidiaries | 135,512 | 132,776 |
| Others | - | 1,618 |
| | <u>135,512</u> | <u>134,394</u> |

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

20 Transactions and balances with related parties (continued)

Significant transactions with these related parties are as follows:

| | 3 months ended 31 March | |
|---|---|---|
| | 2010 (unaudited) AED'000 | 2009 (unaudited) AED'000 |
| Advances and payments effected on behalf of associates and joint ventures | 49,932 | 1,051 |
| Key management personnel remuneration | 4,473 | 9,149 |
| Management fees from an associate | 3,498 | - |

21 Commitments

Contractual capital commitments as at 31 March 2010 in respect of agreements with consultants and contractors for projects under development amounted to AED 6.2 billion which are all expected to be paid within four years from the reporting period (notes 5 and 10).

The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:

| | 31 March 2010 (unaudited) AED'000 | 31 December 2009 (audited) AED'000 |
|---|--|---|
| Not later than one year | 24,587 | 15,587 |
| Later than one year but not later than five years | 74,392 | 69,710 |
| Later than five years | 385,551 | 399,500 |
| | 484,530 | 484,797 |

22 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For management purposes, the Group is organised into five main business segments – hospitality, property development, land sales, investment properties portfolio and construction.

Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)

22 Segment reporting (continued)

| Period ended 31 March 2010 (unaudited) | Hospitality AED'000 | Property Development and sales AED'000 | Land sales AED'000 | Investment properties AED'000 | Construction AED'000 | Total AED'000 |
|---|------------------------|---|--------------------------|-------------------------------------|-------------------------|------------------|
| External revenue | 3,913 | 94,185 | 216,623 | 50,823 | 65,140 | 430,684 |
| Cost of revenue | (378) | (87,542) | (55,142) | (5,655) | (60,499) | (209,216) |
| Project cost written off | - | (273) | - | - | - | (273) |
| Segment profit | 3,535 | 6,370 | 161,481 | 45,168 | 4,641 | 221,195 |
| Unrealised gain on financial assets at fair value through profit or loss | | | | | | 1,853 |
| Realised gain on disposal of available-for-sale financial assets | | | | | | 25 |
| Share of loss from associates and joint ventures | | | | | | (10,087) |
| General and administrative expenses | | | | | | (82,811) |
| Selling and marketing expenses | | | | | | (11,961) |
| Finance income | | | | | | 5,269 |
| Finance costs | | | | | | (18,929) |
| Other income | | | | | | 27,088 |
| | | | | | | 131,642 |

Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)

22 Segment reporting (continued)

| | Hospitality AED'000 | Property Development and sales AED'000 | Land sales AED'000 | Investment properties AED'000 | Construction AED'000 | Total AED'000 |
|---|------------------------|---|--------------------------|-------------------------------------|-------------------------|------------------|
| Period ended 31 March 2009 (unaudited) | | | | | | |
| External revenue | - | - | 273,309 | 25,162 | 37,169 | 335,640 |
| Cost of revenue | - | - | (93,881) | (9,734) | (33,755) | (137,370) |
| Segment profit | - | - | 179,428 | 15,428 | 3,414 | 198,270 |
| Unrealised loss on financial assets at fair value through profit or loss | | | | | | (564) |
| Realised loss on disposal of available- for- sale financial assets | | | | | | (5,148) |
| Share of loss from associates and joint ventures | | | | | | (7,061) |
| Impairment loss on available- for- sale financial assets | | | | | | (3,432) |
| General and administrative expenses | | | | | | (66,950) |
| Selling and marketing expenses | | | | | | (19,577) |
| Finance income | | | | | | 43,602 |
| Finance costs | | | | | | (42,208) |
| Other income | | | | | | 33,515 |
| | | | | | | 130,447 |

Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)

22 Segment reporting (continued)

The segment assets and liabilities for the period then ended are as follows:

| | Hospitality AED'000 | Property development AED'000 | Land sales AED'000 | Construction AED'000 | Investment properties portfolio AED'000 | Unallocated AED'000 | Group AED'000 |
|---|------------------------|------------------------------------|-----------------------|-------------------------|--|------------------------|------------------|
| As at 31 March 2010 (unaudited) | | | | | | | |
| Assets | 80,689 | 6,035,302 | 3,955,903 | 606,919 | 1,255,503 | 1,345,517 | 13,279,833 |
| Liabilities | 1,737 | 4,199,858 | 1,015,957 | 616,504 | 162,547 | 1,038,928 | 7,035,531 |
| As at 31 December 2009 (audited) | | | | | | | |
| Assets | 79,090 | 5,828,059 | 4,142,617 | 570,021 | 1,329,181 | 1,748,582 | 13,697,550 |
| Liabilities | 12,873 | 3,892,759 | 1,397,063 | 284,814 | 161,877 | 1,823,575 | 7,572,961 |

The Group operated only in one geographical segment, i.e., United Arab Emirates, except for the Egypt project and Morocco project which are still in the pre-development phase.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2010 (continued)**

23 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 April 2010.