

SOROUH REAL ESTATE PJSC

**Review report and interim
financial information for the
period ended 30 June 2010**

SOROUH REAL ESTATE PJSC

Review report and interim financial information for the period ended 30 June 2010

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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 30 June 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 six-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.

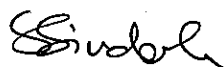
Scope of review

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
26 July 2010



**Condensed consolidated statement of financial position
as at 30 June 2010**

ASSETS	Notes	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Non-current assets			
Property, plant and equipment		167,226	172,476
Investment properties	4	983,409	983,130
Investment properties under development	5	487,268	257,223
Intangible assets		131,866	134,298
Goodwill		478,508	478,508
Investment in associates and joint ventures	6	293,194	301,086
Available-for-sale financial assets	7	132,986	138,502
Prepaid leases – long term		19,507	19,724
Trade and other receivables	8	897,680	1,169,345
Other financial assets		9,126	15,907
Total non-current assets		3,600,770	3,670,199
Current assets			
Inventories		37,568	13,237
Land held for resale	9	625,284	638,505
Development work-in-progress	10	4,509,482	3,778,406
Financial assets at fair value through profit or loss	11	2,310	20,497
Trade and other receivables	8	2,809,399	2,813,258
Cash and cash equivalents	12	1,638,739	2,763,448
Total current assets		9,622,782	10,027,351
Total assets		13,223,552	13,697,550

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

**Condensed consolidated statement of financial position
as at 30 June 2010 (continued)**

		30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
	Notes		
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		(20,874)	(14,093)
Revaluation reserve		54	(12,659)
Translation reserve		(3,102)	(1,652)
Retained earnings		3,128,868	3,102,930
Equity attributable to Owners of the parent		6,182,041	6,026,621
Non-controlling interest		88,869	97,968
Total equity		6,270,910	6,124,589
Non-current liabilities			
Non-convertible Sukuk	14	-	970,078
Provision for end of service benefits		28,161	25,880
Bank borrowings – long term		114,247	112,828
Due to related parties	20	35,995	34,775
Other long term payables		244	2,283
Total non-current liabilities		178,647	1,145,844
Current liabilities			
Non-convertible Sukuk	14	1,199,254	970,565
Trade and other payables	15	5,517,460	5,297,568
Notes payable – short term		39,609	139,609
Bank borrowings – short term		17,672	19,375
Total current liabilities		6,773,995	6,427,117
Total liabilities		6,952,642	7,572,961
Total equity and liabilities		13,223,552	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 30 June 2010**

	Notes	3 months ended 30 June		6 months ended 30 June	
		2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Revenue		189,816	978,234	620,500	1,313,874
Cost of revenue		(103,720)	(818,541)	(312,936)	(955,911)
Gross profit		86,096	159,693	307,564	357,963
Unrealised (loss)/gain on financial assets at fair value through profit or loss		(1,952)	14,552	(99)	13,988
Realised gain on disposal of financial assets at fair value through profit or loss		2,719	-	2,719	-
Realised gain/(loss) on disposal of available-for-sale financial assets		456	(4,695)	481	(9,843)
Project costs written off and impaired		(232)	(548)	(505)	(580)
Impairment loss on available-for-sale financial assets		(17,513)	(1,146)	(17,513)	(4,578)
Share of profits/(loss) from associates and joint ventures		2,971	838	(7,116)	(6,223)
General and administrative expenses		(82,935)	(80,686)	(165,746)	(147,604)
Selling and marketing expenses		(10,908)	(10,858)	(22,869)	(30,435)
Finance income	16	7,818	30,139	15,124	73,741
Finance costs	17	(15,738)	(31,698)	(34,667)	(73,906)
Other income	18	49,434	75,392	74,485	108,907
Profit for the period		20,216	150,983	151,858	281,430
Attributable to:					
Owners of the parent		30,838	148,290	160,594	273,747
Non-controlling interest		(10,622)	2,693	(8,736)	7,683
Net profit for the period		20,216	150,983	151,858	281,430
Basic and diluted earnings per share (in AED per share)	19	0.01	0.06	0.06	0.10

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

**Condensed consolidated statement of comprehensive income
for the period ended 30 June 2010**

	3 months ended 30 June		6 months ended 30 June	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Net profit for the period	20,216	150,983	151,858	281,430
Other comprehensive income/(loss)				
Release on disposal of available-for-sale financial assets	33	4,184	42	8,329
(Decrease)/increase in fair value of available-for-sale financial assets	(5,427)	6,141	(4,842)	13,948
Impairment loss on available-for-sale financial assets	17,513	1,146	17,513	4,578
Interest rate cash flow hedge	(3,392)	(3,230)	(6,781)	(6,047)
Exchange differences arising on translation of foreign operations	(2,335)	287	(1,813)	(489)
Directors' remuneration	-	-	(9,656)	(37,163)
Other comprehensive income/(loss) for the period	6,392	8,528	(5,537)	(16,844)
Total comprehensive income for the period	26,608	159,511	146,321	264,586
Total comprehensive income attributable to:				
Owners of the parent	37,697	156,761	155,420	257,001
Non-controlling interest	(11,089)	2,750	(9,099)	7,585
	26,608	159,511	146,321	264,586

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

SOROUH REAL ESTATE PJSC

**Condensed consolidated statement of changes in equity
for the period ended 30 June 2010 (unaudited)**

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	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	-	-	-	-	-	-	273,747	273,747	7,683	281,430
Other comprehensive income/(loss) for the period	-	-	-	(6,047)	26,855	(391)	(37,163)	(16,746)	(98)	(16,844)
Effects of changes in the capital of a subsidiary	-	-	-	-	-	-	-	-	(3,289)	(3,289)
Non-controlling interest in the capital of subsidiaries established during the period	-	-	-	-	-	-	-	-	103	103
Acquisition of non-controlling interest of a subsidiary	-	-	-	-	-	-	(80,316)	(80,316)	80,316	-
Dividends	-	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
Balance at 30 June 2009	2,500,000	(5,292)	409,108	(7,470)	(10,257)	(1,909)	2,942,171	5,826,351	93,373	5,919,724
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	-	-	-	-	-	-	160,594	160,594	(8,736)	151,858
Other comprehensive income/(loss) for the period	-	-	-	(6,781)	12,713	(1,450)	(9,656)	(5,174)	(363)	(5,537)
Issue of bonus shares	125,000	-	-	-	-	-	(125,000)	-	-	-
Balance at 30 June 2010	2,625,000	(5,292)	457,387	(20,874)	54	(3,102)	3,128,868	6,182,041	88,869	6,270,910

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

**Condensed consolidated statement of cash flows
for the period ended 30 June 2010**

	6 months ended 30 June	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Net cash used in operating activities	(101,857)	(724,046)
Investing activities		
Payments for property, plant and equipment	(14,208)	(16,892)
Proceeds from disposal of property, plant and equipment	793	263
Payments for investment property	(279)	(317)
Payments for investment properties under development	(230,045)	(62,462)
Payments for available-for-sale financial assets	(27)	-
Proceeds from disposal of available-for-sale financial assets	1,224	55,940
Proceeds from disposal of financial assets at fair value through profit and loss	20,807	-
Investment in associates and joint ventures	-	(2,600)
Interest received	16,531	131,737
Dividends received	-	8,000
Movement in term deposits with original maturities greater than three months and restricted short term deposits	1,015,336	4,040
Net cash flows from investing activities	810,132	117,709
Financing activities		
Minority contribution in the capital of a subsidiary	-	103
Effects of changes in the capital of a subsidiary	-	(3,289)
Dividends paid	(5,676)	(287,743)
Net movement in bank borrowings	(3,123)	(69,831)
Directors' remuneration paid	(9,656)	(37,163)
Repayment of non-convertible Sukuk	(758,548)	(794,073)
Finance costs paid on non-convertible Sukuk	(40,023)	(94,336)
Other finance costs paid	(622)	(4,114)
Net cash used in financing activities	(817,648)	(1,290,446)
Net decrease in cash and cash equivalents	(109,373)	(1,896,783)
Cash and cash equivalents at the beginning of the period	1,605,669	5,517,319
Cash and cash equivalents at the end of the period (note 12)	1,496,296	3,620,536

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 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
• Amendments to IFRS 7, IAS 1, IAS 22, IAS 34, and IFRIC 13 resulting from May 2010 <i>Annual Improvements to IFRSs</i> .	Majority effective for annual periods beginning on or after January 1, 2011
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 condensed consolidated financial statements
for the period ended 30 June 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, financial assets and derivative financial instruments have been disclosed in paragraphs 3.3 to 3.10 below.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation

Details of the Company's subsidiaries at 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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.

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.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

4 Investment properties

Investment properties are comprised of the following:

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Land held as investment property	149,851	149,851
Villas held as investment property	833,558	833,279
	<hr/>	<hr/>
	983,409	983,130

Movement during the period is as follows:

	30 June 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	279	2,270
	<hr/>	<hr/>
	983,409	983,130

All investment properties are located in the United Arab Emirates.

5 Investment properties under development

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Opening balance	257,223	602,408
Additions during the period/year	230,045	195,266
Transfer to investment properties (note 4)	-	(540,451)
	<hr/>	<hr/>
	487,268	257,223

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

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 6.89 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 0.2 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.

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.

	30 June 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	27	4,066
Transfer from investment in associates	-	80,000
Disposals during the period/year	(743)	(118,904)
Release of fair value on disposals during the period/year	42	16,171
Changes in fair value	(4,842)	8,282
Balance at the end of the period/year	132,986	138,502

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

7 Available-for-sale financial assets (continued)

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

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Within the UAE	107,668	112,442
Outside the UAE	25,318	26,060
	<u>132,986</u>	<u>138,502</u>

8 Trade and other receivables

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Non-current portion		
Trade receivables	868,304	1,120,920
Due from related parties (note 20)	1,200	1,800
Retentions receivable	28,176	46,625
	<u>897,680</u>	<u>1,169,345</u>
Current portion		
Trade receivables	1,784,612	1,765,507
Less: allowance for doubtful debts	(121,945)	(77,611)
	<u>1,662,667</u>	<u>1,687,896</u>
Advances to contractors	543,794	588,377
Advance for acquisition of property	184,366	184,366
Due from related parties (note 20)	189,726	75,129
Retentions receivable	32,571	7,402
Gross amount due from customers	16,022	43,124
Accrued income	3,013	29,848
Prepayments	25,957	16,736
Interest receivable	5,636	7,043
Other receivables	145,647	173,337
	<u>2,809,399</u>	<u>2,813,258</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

9 Land held for resale

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

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:

	30 June 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	871,939	2,427,691
Transfer to an associate	-	(66,383)
Disposals during the period/year	(141,778)	(905,437)
Interest capitalised	1,420	5,012
	<u>4,509,987</u>	<u>3,935,637</u>
Less: Project costs written off during the period/year	(505)	(157,231)
Balance at the end of the period/year	<u><u>4,509,482</u></u>	<u><u>3,778,406</u></u>

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 57.5 million which is still in the pre-development phase.

11 Financial assets at fair value through profit or loss

	30 June 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	(18,088)	(17,243)
Fair value (loss)/gain	(99)	8,407
	<u>2,310</u>	<u>20,497</u>
Balance at the end of the period/year	<u><u>2,310</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 30 June 2010 (continued)**

12 Cash and cash equivalents

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Cash in hand	688	668
Current account	310,775	184,097
Fixed deposits	1,159,423	1,903,793
Call account	167,853	674,890
	<hr/>	<hr/>
	1,638,739	2,763,448
Less:		
Short term deposits with original maturities date greater than three months	-	(1,000,000)
Deposits held under lien by the banks	(142,443)	(157,779)
	<hr/>	<hr/>
	1,496,296	1,605,669
	<hr/> <hr/>	<hr/> <hr/>

The interest rate on term deposits ranges between 0.6% and 4.25% per annum.

Cash and cash equivalents as at 30 June 2010 include fixed deposits for an amount of AED 600 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 30 June 2010 includes current account balances of AED 208 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 30 June 2010 (continued)**

14 Non-convertible Sukuk

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

	30 June 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	(2,800,750)	(2,041,666)
Profit distribution accrued up to period/ year end	107,258	89,563
	<hr/>	<hr/>
Carrying amount of non-convertible Sukuk	1,199,254	1,940,643
Less: current portion	(1,199,254)	(970,565)
	<hr/>	<hr/>
Non-current portion of non-convertible Sukuk	-	970,078
	<hr/> <hr/>	<hr/> <hr/>

Sukuk profit payable amounting to AED 25.7 million (30 June 2009: AED 53.9 million) has been capitalised during the period.

In accordance with the terms of the issuance, an amount of AED 1.8 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.

Subsequent to the period end, the Group fully repaid the non-convertible Sukuk and accordingly the non-current portion has been reclassified to current portion in the condensed consolidated statement of financial position.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

15 Trade and other payables

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Advances from customers	3,080,546	2,752,088
Provision for infrastructure construction	784,120	870,835
Accrued expenses	537,824	736,749
Retention payable	328,000	277,085
Trade payables	333,758	266,225
Gross amounts due to contracts' customers	151,052	96,971
Due to related parties (note 20)	144,056	134,394
Dividend payable	42,203	47,879
Provision for future losses from projects	9,010	9,010
Other payables	106,891	106,332
	<u>5,517,460</u>	<u>5,297,568</u>

16 Finance income

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Gross finance income	13,005	43,701	27,169	106,975
Amounts offset against the finance costs capitalised during the period	(5,187)	(13,562)	(12,045)	(33,234)
	<u>7,818</u>	<u>30,139</u>	<u>15,124</u>	<u>73,741</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

17 Finance costs

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Gross finance costs	28,074	56,519	61,593	129,469
Net foreign exchange loss	(919)	555	(943)	1,759
Amounts included in the cost of qualifying assets	(11,417)	(25,376)	(25,983)	(57,322)
	<u>15,738</u>	<u>31,698</u>	<u>34,667</u>	<u>73,906</u>

18 Other income

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Late payment charges income	3,435	7,050	9,730	33,336
Commission income and management fees from an associate	3,498	-	6,996	-
Gain on disposal of an associate	-	-	2,070	-
Net gain on disposal of a joint venture and acquisition of non-controlling interest in a subsidiary	-	66,004	-	66,004
Transfer and other fees	7,903	1,521	17,564	4,433
Others	34,598	817	38,125	5,134
	<u>49,434</u>	<u>75,392</u>	<u>74,485</u>	<u>108,907</u>

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 three-months and six-months periods ended 30 June 2009 have been restated to reflect the bonus issue of 125,000,000 during the current period.

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 30 June 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:

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Due from related parties		
Due from associates	154,186	73,329
Due from directors	2,400	3,600
Others	34,340	-
	<u>190,926</u>	<u>76,929</u>
Due to related parties		
Due to non- controlling shareholders in subsidiaries	179,192	167,551
Others	859	1,618
	<u>180,051</u>	<u>169,169</u>

Significant transactions with these related parties are as follows:

	6 months ended 30 June	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Revenue from sale of properties to directors	3,324	-
Advances and payments effected on behalf of associates and joint ventures	81,971	1,051
Commission income and management fees from an associate	6,996	-
Key management personnel remuneration	8,089	13,454

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

21 Commitments

Contractual capital commitments as at 30 June 2010 in respect of agreements with consultants and contractors for projects under development amounted to AED 5,976 million (31 December 2009: AED AED 6,152 million) 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:

	30 June 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Not later than one year	23,500	15,587
Later than one year but not later than five years	73,000	69,710
Later than five years	385,500	399,500
	<hr/> 482,000 <hr/>	<hr/> 484,797 <hr/>

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 and sales, land sales, investment properties and construction.

Notes to the condensed consolidated financial statements
for the period ended 30 June 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 30 June 2010 (unaudited)						
External revenue	6,735	146,003	216,623	101,494	149,645	620,500
Cost of revenue	(693)	(98,238)	(55,142)	(9,307)	(149,556)	(312,936)
Project cost written off	-	(505)	-	-	-	(505)
Segment profit	6,042	47,260	161,481	92,187	89	307,059
Unrealised loss on financial assets at fair value through profit or loss						(99)
Realised gain on disposal of financial assets at fair value through profit or loss						2,719
Realised gain on disposal of available-for-sale financial assets						481
Impairment loss on available-for-sale financial assets						(17,513)
Share of loss from associates and joint ventures						(7,116)
General and administrative expenses						(165,746)
Selling and marketing expenses						(22,869)
Finance income						15,124
Finance costs						(34,667)
Other income						74,485
						151,858

Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)

22 Segment reporting (continued)

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

	Hospitality AED'000	Property development and sales AED'000	Land sales AED'000	Investment properties AED'000	Construction AED'000	Unallocated AED'000	Group AED'000
As at 30 June 2010 (unaudited)							
Assets	96,162	6,442,464	4,571,630	1,268,829	727,043	117,424	13,223,552
Liabilities	172,980	4,283,175	1,685,685	218,913	572,382	19,507	6,952,642
As at 31 December 2009 (audited)							
Assets	79,090	5,828,059	4,142,617	1,329,181	570,021	1,748,582	13,697,550
Liabilities	12,873	3,892,759	1,397,063	161,877	284,814	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 30 June 2010 (continued)****23 Subsequent events**

Subsequent to the period end, the Group signed a AED 2.35 billion four-year facility consisting of a combination of term loan and revolving credit, with both conventional and Islamic tranches. The facility will be used for general corporate purposes, including the early redemption of the remaining outstanding balance of the non-convertible Sukuk.

24 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 July 2010.