

**SOROUH REAL ESTATE PJSC**

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

**SOROUH REAL ESTATE PJSC**

**Review report and interim financial information  
for the period ended 30 September 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 September 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 nine 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  
31 October 2010



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

<b>ASSETS</b>	<b>Notes</b>	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		160,097	172,476
Investment properties	4	983,489	983,130
Investment properties under development	5	658,771	257,223
Intangible assets		130,651	134,298
Goodwill		478,508	478,508
Investment in associates and joint ventures	6	294,647	301,086
Available-for-sale financial assets	7	131,888	138,502
Prepaid leases – long term		19,399	19,724
Trade and other receivables	8	456,102	1,169,345
Other financial assets	9	-	15,907
<b>Total non-current assets</b>		<b>3,313,552</b>	<b>3,670,199</b>
<b>Current assets</b>			
Inventories		45,692	13,237
Land held for resale	10	614,685	638,505
Development work-in-progress	11	4,902,443	3,778,406
Financial assets at fair value through profit or loss	12	2,430	20,497
Trade and other receivables	8	3,298,939	2,813,258
Cash and cash equivalents	13	1,557,799	2,763,448
<b>Total current assets</b>		<b>10,421,988</b>	<b>10,027,351</b>
<b>Total assets</b>		<b>13,735,540</b>	<b>13,697,550</b>

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

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

	Notes	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	2,625,000	2,500,000
Share issuance costs, net		(5,292)	(5,292)
Statutory reserve		457,387	457,387
Hedging reserve		(8,976)	(14,093)
Revaluation reserve		(763)	(12,659)
Translation reserve		(3,096)	(1,652)
Retained earnings		3,206,836	3,102,930
<b>Equity attributable to Owners of the parent</b>		<b>6,271,096</b>	<b>6,026,621</b>
Non-controlling interest		104,938	97,968
<b>Total equity</b>		<b>6,376,034</b>	<b>6,124,589</b>
<b>Non-current liabilities</b>			
Non-convertible Sukuk	15	-	970,078
Provision for end of service benefits		29,770	25,880
Bank borrowings – long term	16	1,641,701	112,828
Due to related parties	22	10,242	34,775
Other long term payables		6,678	2,283
<b>Total non-current liabilities</b>		<b>1,688,391</b>	<b>1,145,844</b>
<b>Current liabilities</b>			
Non-convertible Sukuk	15	-	970,565
Trade and other payables	17	5,609,062	5,297,568
Notes payable – short term		39,609	139,609
Bank borrowings – short term	16	22,444	19,375
<b>Total current liabilities</b>		<b>5,671,115</b>	<b>6,427,117</b>
<b>Total liabilities</b>		<b>7,359,506</b>	<b>7,572,961</b>
<b>Total equity and liabilities</b>		<b>13,735,540</b>	<b>13,697,550</b>

  
.....  
**Saeed Eid Al Ghafli**  
Chairman

  
.....  
**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 September 2010**

	Notes	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
		2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Revenue		370,960	1,350,738	991,460	2,664,612
Cost of revenue		(187,592)	(1,118,388)	(500,528)	(2,074,299)
<b>Gross operating profit</b>		<b>183,368</b>	<b>232,350</b>	<b>490,932</b>	<b>590,313</b>
Unrealised gain on financial assets at fair value through profit or loss		120	5,328	21	19,316
Realised gain on disposal of financial assets at fair value through profit and loss		-	3,702	2,719	3,702
Realised gain/(loss) on disposal of available-for-sale financial assets		32	267	513	(11,920)
Project costs written off and impaired		(229)	(529)	(734)	(1,077)
Impairment loss on available-for-sale financial assets		-	-	(17,513)	(2,234)
Share of (loss)/profits from associates and joint ventures		(1,759)	1,488	(8,875)	(4,735)
General and administrative expenses		(67,357)	(69,651)	(233,103)	(201,287)
Selling and marketing expenses		(5,518)	(4,038)	(28,387)	(34,473)
Finance income	18	4,699	20,320	19,823	94,061
Finance costs	19	(72,261)	(26,818)	(106,928)	(100,724)
Other income	20	21,819	23,050	96,304	115,957
<b>Profit for the period</b>		<b>62,914</b>	<b>185,469</b>	<b>214,772</b>	<b>466,899</b>
<b>Attributable to:</b>					
Owners of the parent		59,295	187,252	219,889	460,999
Non-controlling interest		3,619	(1,783)	(5,117)	5,900
<b>Profit for the period</b>		<b>62,914</b>	<b>185,469</b>	<b>214,772</b>	<b>466,899</b>
<b>Basic and diluted earnings per share (in AED per share)</b>	21	<b>0.02</b>	<b>0.07</b>	<b>0.08</b>	<b>0.18</b>

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

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

	<b>3 months ended 30 September</b>		<b>9 months ended 30 September</b>	
	<b>2010</b> <b>(unaudited)</b> <b>AED'000</b>	<b>2009</b> <b>(unaudited)</b> <b>AED'000</b>	<b>2010</b> <b>(unaudited)</b> <b>AED'000</b>	<b>2009</b> <b>(unaudited)</b> <b>AED'000</b>
Net profit for the period	<b>62,914</b>	185,469	<b>214,772</b>	466,899
<b>Other comprehensive income/(loss)</b>				
Release on disposal of available-for-sale financial assets	(15)	3,207	27	11,536
(Decrease)/increase in fair value of available-for-sale financial assets	(802)	(713)	(5,644)	13,235
Impairment loss on available-for-sale financial assets	-	(2,344)	17,513	2,234
Interest rate cash flow hedge	11,898	(3,231)	5,117	(9,278)
Exchange differences arising on translation of foreign operations	6	197	(1,807)	(292)
Directors' remuneration	-	-	(9,656)	(37,163)
<b>Other comprehensive income/(loss) for the period</b>	<b>11,087</b>	(2,884)	<b>5,550</b>	(19,728)
<b>Total comprehensive income for the period</b>	<b>74,001</b>	182,585	<b>220,322</b>	447,171
Total comprehensive income attributable to:				
Owners of the parent	<b>70,382</b>	184,328	<b>225,802</b>	441,329
Non-controlling interest	<b>3,619</b>	(1,743)	<b>(5,480)</b>	5,842
	<b>74,001</b>	182,585	<b>220,322</b>	447,171

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

**SOROUH REAL ESTATE PJSC**

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**Condensed consolidated statement of changes in equity  
for the period ended 30 September 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	-	-	-	-	-	-	460,999	460,999	5,900	466,899
Other comprehensive loss for the period	-	-	-	(9,278)	27,005	(234)	(37,163)	(19,670)	(58)	(19,728)
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)
<b>Balance at 30 September 2009</b>	<b>2,500,000</b>	<b>(5,292)</b>	<b>409,108</b>	<b>(10,701)</b>	<b>(10,107)</b>	<b>(1,752)</b>	<b>3,129,423</b>	<b>6,010,679</b>	<b>91,630</b>	<b>6,102,309</b>
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	-	-	-	-	-	-	219,889	219,889	(5,117)	214,772
Other comprehensive income/(loss) for the period	-	-	-	5,117	11,896	(1,444)	(9,656)	5,913	(363)	5,550
Dividend adjustment in a subsidiary	-	-	-	-	-	-	18,673	18,673	12,450	31,123
Issue of bonus shares	125,000	-	-	-	-	-	(125,000)	-	-	-
<b>Balance at 30 September 2010</b>	<b>2,625,000</b>	<b>(5,292)</b>	<b>457,387</b>	<b>(8,976)</b>	<b>(763)</b>	<b>(3,096)</b>	<b>3,206,836</b>	<b>6,271,096</b>	<b>104,938</b>	<b>6,376,034</b>

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

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

	<b>9 months ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Net cash used in operating activities</b>	<b>(393,854)</b>	<b>(1,057,003)</b>
<b>Investing activities</b>		
Payments for property, plant and equipment	(16,325)	(26,442)
Proceeds from disposal of property, plant and equipment	391	275
Payments for investment property	(359)	(2,471)
Payments for investment properties under development	(401,548)	(87,980)
Payments for available-for-sale financial assets	(27)	
Proceeds from disposal of available-for-sale financial assets	1,505	79,667
Proceeds from disposal of financial assets at fair value through profit and loss	20,807	7,999
Investment in associates and joint ventures	2,070	(2,600)
Interest income received	21,234	164,532
Dividends received	-	8,000
Movement in term deposits with original maturities greater than three months and restricted short term deposits	1,015,331	129,576
<b>Net cash flows from investing activities</b>	<b>643,079</b>	<b>270,556</b>
<b>Financing activities</b>		
Minority contribution in the capital of a subsidiary	-	103
Effects of changes in the capital of a subsidiary	-	(3,289)
Dividends paid	(5,710)	(291,918)
Net bank borrowings raised/(payment)	1,604,994	(94,060)
Directors' remuneration paid	(9,656)	(37,163)
Repayment of non-convertible Sukuk	(1,982,969)	(1,371,066)
Finance costs paid	(45,579)	(129,885)
Other finance costs paid	(623)	-
<b>Net cash used in financing activities</b>	<b>(439,543)</b>	<b>(1,927,278)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(190,318)</b>	<b>(2,713,725)</b>
Cash and cash equivalents at the beginning of the period	1,605,669	5,517,319
<b>Cash and cash equivalents at the end of the period (note 13)</b>	<b>1,415,351</b>	<b>2,803,594</b>

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 30 September 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:

<b>New Standards and amendments to Standards:</b>	<b>Effective for annual periods beginning on or after</b>
• 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
<b>New Interpretations and amendments to Interpretations:</b>	
• 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 30 September 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 consolidated 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 30 September 2010 (continued)**

**3 Summary of significant accounting policies (continued)**

**3.2 Basis of consolidation**

Details of the Company's subsidiaries at 30 September 2010 are as follows:

<b>Name of subsidiaries</b>	<b>Place of incorporation</b>	<b>ownership interest %</b>	<b>Principal Activities</b>
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
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

During the period, Sun Finance Limited, a wholly owned entity engaged in the issuance of the Sukuk Certificates and execution of the issuance documents, has been dissolved.

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

**4 Investment properties**

Investment properties are comprised of the following:

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Land held as investment property	149,851	149,851
Villas held as investment property	833,638	833,279
	<u>983,489</u>	<u>983,130</u>

Movement during the period is as follows:

	30 September 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	359	2,270
	<u>983,489</u>	<u>983,130</u>

All investment properties are located in the United Arab Emirates.

**5 Investment properties under development**

	30 September 2010 (unaudited) AED'000	31 December 2009 (audited) AED'000
Opening balance	257,223	602,408
Additions	401,548	195,266
Transfer to investment properties (note 4)	-	(540,451)
	<u>658,771</u>	<u>257,223</u>

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

**Notes to the condensed consolidated financial statements  
for the period ended 30 September 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 7.88 million representing the Group's share of loss from associates.
- Additional investment of AED 2.7 million in Galaxy Building Materials L.L.C representing the Group's share in the additional capital raised by the latter. The additional investment did not increase the shareholding percentage of the Group in the associate.
- 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 0.23 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.

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
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	(1,024)	(118,904)
Release of fair value on disposals during the period/year	27	16,171
Changes in fair value	(5,644)	8,282
<b>Balance at the end of the period/year</b>	<b>131,888</b>	<b>138,502</b>

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

**7 Available-for-sale financial assets (continued)**

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

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
Within the UAE	106,836	112,442
Outside the UAE	25,052	26,060
	<hr/>	<hr/>
	<b>131,888</b>	<b>138,502</b>
	<hr/> <hr/>	<hr/> <hr/>

**8 Trade and other receivables**

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
<b>Non-current portion</b>		
Trade receivables	418,865	1,120,920
Due from related parties (note 22)	600	1,800
Retentions receivable	36,637	46,625
	<hr/>	<hr/>
	<b>456,102</b>	<b>1,169,345</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Current portion</b>		
Trade receivables	2,262,401	1,765,507
Less: allowance for doubtful debts	(141,923)	(77,611)
	<hr/>	<hr/>
	<b>2,120,478</b>	<b>1,687,896</b>
Advances to contractors	516,119	588,377
Advance for acquisition of property	184,366	184,366
Due from related parties (note 22)	241,616	75,129
Retentions receivable	30,049	7,402
Gross amount due from contracts' customers	-	43,124
Accrued income	36,924	29,848
Prepayments	18,298	16,736
Interest receivable	5,632	7,043
Other receivables	145,457	173,337
	<hr/>	<hr/>
	<b>3,298,939</b>	<b>2,813,258</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**9 Other financial assets**

Other financial assets included a derivative designated and effective as hedging instrument carried at fair value. In connection with the non-convertible Sukuk issuance, the Group had entered into hedge agreement with a foreign bank in order to hedge its exposure to movements in interest rates.

Under the hedge agreement, the Group secured an interest rate cap which provided protection from rises in interest rates.

During the period, the Group fully repaid the non-convertible Sukuk and accordingly the hedge agreement was terminated.

**10 Land held for resale**

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

**11 Development work-in-progress**

Development work-in-progress represents development and construction costs incurred on properties being constructed:

	30 September 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	1,285,641	2,427,691
Transfer to an associate	-	(66,383)
Disposals during the period/year	(164,782)	(905,437)
Interest capitalised	3,912	5,012
	<u>4,903,177</u>	<u>3,935,637</u>
Less: Project costs written off during the period/year	(734)	(157,231)
Balance at the end of the period/year	<u>4,902,443</u>	<u>3,778,406</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 63.1 million which is still in the pre-development phase.

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

**12 Financial assets at fair value through profit or loss**

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
Balance at the beginning of the period/year	20,497	29,333
Disposal during the period/year	(18,088)	(17,243)
Fair value gain	21	8,407
	<hr/>	<hr/>
Balance at the end of the period/year	<b>2,430</b>	<b>20,497</b>
	<hr/>	<hr/>

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.

**13 Cash and cash equivalents**

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
Cash in hand	3,940	668
Current account	15,023	184,097
Fixed deposits	1,448,228	1,903,793
Call account	90,608	674,890
	<hr/>	<hr/>
	<b>1,557,799</b>	<b>2,763,448</b>
Less:		
Short term deposits with original maturities date greater than three months	-	(1,000,000)
Deposits held under lien by the banks	(142,448)	(157,779)
	<hr/>	<hr/>
	<b>1,415,351</b>	<b>1,605,669</b>
	<hr/>	<hr/>

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

No balances are held with foreign banks as at 30 September 2010 compared to balances of AED 178 million as at 31 December 2009.

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

**14 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.

**15 Non-convertible Sukuk**

During the period, the Group fully repaid the non-convertible Sukuk.

As per the terms of the Sukuk issuance, an amount of AED 1.8 billion of the proceeds was deposited in Reserve Accounts to be mainly used to fund infrastructure development and any shortfall in profits payable. The Sukuk were secured by first fixed charge security over the Reserve Accounts and a floating charge over some of the Group's business and assets.

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

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
Proceeds from the issue of non-convertible Sukuk	4,016,000	4,016,000
Less: Issuance costs	(123,254)	(123,254)
Net proceeds from the issue of non-convertible Sukuk	<u>3,892,746</u>	<u>3,892,746</u>
Payments	(4,000,004)	(2,041,666)
Profit distribution accrued up to period/ year end	<u>107,258</u>	<u>89,563</u>
Carrying amount of non-convertible Sukuk	-	1,940,643
Less: current portion	-	(970,565)
Non-current portion of non-convertible Sukuk	<u>-</u>	<u>970,078</u>

Sukuk profit payable amounting to AED 26 million (30 September 2009: AED 74 million) has been capitalised during the period.

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

**16 Bank borrowings**

	30 September 2010		31 December 2009	
	Current (unaudited) AED'000	Non-current (unaudited) AED'000	Current (audited) AED'000	Non-current (audited) AED'000
<b>Secured – at amortised cost</b>				
Bank loan (1)	5,864	17,593	5,864	17,593
Bank loan (2)	-	-	-	95,235
Club loan (3)	-	1,624,108	-	-
Bank overdraft	16,580	-	13,511	-
	<b>22,444</b>	<b>1,641,701</b>	<b>19,375</b>	<b>112,828</b>

Bank loan (1) represents a loan assumed by the Group in 2007 following the acquisition of the six real estate projects of Al Rayan Investments Pvt JSC (“ARI”). The loan bears an interest rate at 6 months EIBOR plus a margin of 1.25% per annum and is repayable over 7 years. The loan is secured by a mortgage over the villas of one of the projects acquired from ARI.

Bank loan (2) was obtained in 2007 from a local bank for the purpose of financing the construction of Sky Tower on Al Reem Island, Abu Dhabi. The loan bears an interest rate at 3 months EIBOR plus a margin of 1.25% per annum and is secured by the assignment over income from sale of the units of Sky Tower. The loan was fully repaid during the period.

**Club loan (3)**

During the period, the Group concluded a AED 2.35 billion four-year club loan facility from various banks consisting of a term loan and revolving credit, with both conventional and Islamic tranches. The facility is used for general corporate purposes, including the early redemption of the remaining outstanding balance of the non-convertible Sukuk. The amount drawn as at 30 September 2010 amounted to AED 1.7 billion.

The facility bears interest at the rate of EIBOR + 4.5% per annum. The term loan is repayable over 48 months with a grace period of 27 months.

The facility is secured by collateral over some of the Group’s assets. The Group is also required to adhere to certain financial covenants.

Transactions costs in connection with the facility amounted to AED 80 million. Interest expense amounting to AED 6 million has been capitalised during the period.

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

**17 Trade and other payables**

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
Advances from customers	3,042,944	2,752,088
Provision for infrastructure construction	759,543	870,835
Accrued expenses	590,367	736,749
Retention payable	341,010	277,085
Trade payables	290,110	266,225
Gross amounts due to contracts' customers	221,621	96,971
Due to related parties (note 22)	123,307	134,394
Dividend payable	42,169	47,879
Provision for future losses from projects	-	9,010
Other payables	197,991	106,332
	<u>5,609,062</u>	<u>5,297,568</u>

**18 Finance income**

	<b><u>3 months ended 30 September</u></b>		<b><u>9 months ended 30 September</u></b>	
	<b>2010 (unaudited) AED'000</b>	<b>2009 (unaudited) AED'000</b>	<b>2010 (unaudited) AED'000</b>	<b>2009 (unaudited) AED'000</b>
Gross finance income	4,699	31,240	31,868	138,215
Amounts offset against the finance costs capitalised during the period	-	(10,920)	(12,045)	(44,154)
	<u>4,699</u>	<u>20,320</u>	<u>19,823</u>	<u>94,061</u>

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

**19 Finance costs**

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Gross finance costs	36,704	47,850	98,297	177,319
Loss on termination of non-convertible Sukuk	20,371	-	20,371	-
Loss recycled from equity upon termination of hedge	11,898	-	11,898	-
Loss on termination of hedge instrument	9,293	-	9,293	-
Net foreign exchange loss/(gain)	18	6	(925)	1,765
Amounts included in the cost of qualifying assets	(6,023)	(21,038)	(32,006)	(78,360)
	<u>72,261</u>	<u>26,818</u>	<u>106,928</u>	<u>100,724</u>

**20 Other income**

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2010 (unaudited) AED'000	2009 (unaudited) AED'000	2010 (unaudited) AED'000	2009 (unaudited) AED'000
Late payment charges income	3,176	32,351	12,906	65,687
Commission income and management fees from an associate	3,498	-	10,494	-
Gain on disposal of an associate	-	-	2,070	-
Net (loss)/gain on disposal of a joint venture and acquisition of non-controlling interest in a subsidiary	-	(11,822)	-	38,182
Transfer and other fees	778	2,448	18,342	6,881
Others	14,367	73	52,492	5,207
	<u>21,819</u>	<u>23,050</u>	<u>96,304</u>	<u>115,957</u>

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

**21 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-month and nine-month periods ended 30 September 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.

**22 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:

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
<b>Due from related parties</b>		
Due from associates and joint ventures	228,343	73,329
Due from directors	2,400	3,600
Others	11,473	-
	<hr/>	<hr/>
	<b>242,216</b>	<b>76,929</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
<b>Due to related parties</b>		
Due to non- controlling shareholders in subsidiaries	132,178	167,551
Others	1,371	1,618
	<hr/>	<hr/>
	<b>133,549</b>	<b>169,169</b>
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**Notes to the condensed consolidated financial statements  
for the period ended 30 September 2010 (continued)**

**22 Transactions and balances with related parties (continued)**

Significant transactions with these related parties are as follows:

	<b>9 months ended 30 September</b>	
	<b>2010</b> <b>(unaudited)</b> <b>AED'000</b>	<b>2009</b> <b>(unaudited)</b> <b>AED'000</b>
Revenue from sale of properties to directors	<b>3,324</b>	-
Advances and payments effected on behalf of associates and joint ventures	<b>80,045</b>	1,051
Commission income and management fees from an associate	<b>10,494</b>	-
Key management personnel remuneration	<b>11,270</b>	13,454

**23 Commitments**

Contractual capital commitments as at 30 September 2010 in respect of agreements with consultants and contractors for projects under development amounted to AED 5.5 billion which are all expected to be paid within four years from the reporting period (notes 5 and 11).

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

**23 Commitments (continued)**

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

	<b>30 September 2010 (unaudited) AED'000</b>	<b>31 December 2009 (audited) AED'000</b>
Not later than one year	29,000	15,587
Later than one year but not later than five years	73,000	69,710
Later than five years	380,000	399,500
	<hr/>	<hr/>
	<b>482,000</b>	<b>484,797</b>
	<hr/> <hr/>	<hr/> <hr/>

**24 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 September 2010 (continued)**

**24 Segment reporting (continued)**

**Period ended 30 September 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	11,000	246,000	351,000	152,000	231,460	991,460
Cost of revenue	(1,000)	(179,000)	(99,000)	(14,000)	(207,528)	(500,528)
Project cost written off	-	(734)	-	-	-	(734)
Segment profit	10,000	66,266	252,000	138,000	23,932	490,198

Unrealised loss on financial assets at fair value through profit or loss  
Realised gain on disposal of financial assets at fair value through profit  
or loss

21

Realised gain on disposal of available- for- sale financial assets

2,719

Impairment loss on available-for-sale financial assets

513

Share of loss from associates and joint ventures

(17,513)

General and administrative expenses

(8,875)

Selling and marketing expenses

(233,103)

Finance income

(28,387)

Finance costs

19,823

Other income

(106,928)

96,304

214,772



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

24 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
<b>As at 30 September 2010 (unaudited)</b>							
Assets	95,819	6,189,012	3,712,810	741,850	1,188,482	1,807,567	13,735,540
Liabilities	5,678	2,271,142	1,742,205	591,292	208,739	2,540,450	7,359,506
<b>As at 31 December 2009 (audited)</b>							
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 30 September 2010 (continued)**

**25 Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 31 October 2010.