

SOROUH REAL ESTATE PJSC

**Financial statements
for the year ended
31 December 2007**

SOROUH REAL ESTATE PJSC

Financial statements for the year ended 31 December 2007

	Pages
Board of Directors' report	1
Independent auditor's report	2 - 3
Balance sheet	4
Income statement	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 44

Board of Directors' report

On behalf of the Board of Directors, I am pleased to present the audited financial statements of Sorouh Real Estate PJSC for the year ended 31 December 2007.

Financial results

Sorouh has earned profits of AED 1,257 million for the year ended 31 December 2007 compared to AED 975 million for the period ended 31 December 2006. Earnings per share for this year amount to AED 0.50 compared to AED 0.39 for prior period. The company's asset base has grown to AED 7.2 billion during this year.

Release

The Directors propose to discharge the Chairman and Members of the Board of Directors and Auditors from liabilities related to the performance of their duties for the year ended 31 December 2007.

Auditors

Messrs Deloitte and Touche (M.E.) were appointed as auditors for the company for the year ended 31 December 2007, and the Board proposes their re-appointment for the year 2008.


Directors

The Board of Directors comprises:

Mr. Saeed Eid Al Ghafli	Chairman
Mr. Faris Suhail Al Yabhouni (resigned on 30 April 2007)	Vice Chairman and Managing Director
Mr. Mohamed Khalaf Al Mazrouei (Appointed on 1 June 2007)	Vice Chairman
Mr. Abu Baker Seddiq Al Khouri (Appointed on 5 November 2007)	Managing Director
Mr. Yousif Mohammed Al Nowais	Director
Mr. Mubarak Mattar Al Houmeiry	Director
Mr. Saeed Mubarak Al Hajiri	Director
Mr. Fardan Hasan Al Fardan	Director
Mr. Mohammed Ahmed Saeed Al Qasmi	Director

During the year Mr. Faris Suheil Al Yabhouni resigned and both Mr. Mohamed Khalaf Al Mazrouei and Mr. Abu Baker Seddiq Al Khouri were admitted to the Board of Directors as Vice Chairman and Managing Director respectively. The appointments will be presented at the first General Assembly to be held for ratification in accordance with the Company's articles of association.

On behalf of the Board of Directors



Saeed Eid Al Ghafli
Chairman
28 January 2008

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sorouh Real Estate PJSC
Abu Dhabi, UAE

Report on the financial statements

We have audited the accompanying financial statements of Sorouh Real Estate PJSC (the "Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respect the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its operations for the year.

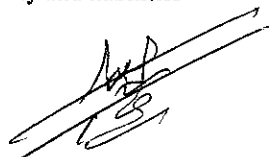
Deloitte & Touche



Saba Y. Sindaha
Registration Number 410
28 January 2008

Balance sheet
as at 31 December 2007

	Notes	2007 AED'000	2006 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	17,971	6,227
Investment properties	6	852,979	834,728
Investment properties under development	7	408,438	184,692
Goodwill	27	345,355	345,355
Investment in associates	8	174,022	123,300
Available-for-sale financial assets	9	39,251	16,000
Prepaid leases – long term	10	20,591	297,175
Total non-current assets		1,858,607	1,807,477
Current assets			
Land held for resale		614,822	-
Development work-in-progress	11	1,082,079	414,464
Financial assets at fair value through profit or loss	12	126,799	246,977
Trade and other receivables	13	2,080,270	251,838
Prepaid leases – short term	10	433	176,803
Cash and cash equivalents	14	1,457,657	1,453,685
Total current assets		5,362,060	2,543,767
Total assets		7,220,667	4,351,244
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	2,500,000	2,500,000
Share issuance costs, net		(5,292)	(5,292)
Statutory reserve	16	223,292	97,553
Retained earnings		1,744,996	877,977
Total equity		4,462,996	3,470,238
Non-current liabilities			
Provision for employees' end of service benefits		3,250	864
Notes payable – long term	17	135,853	23,844
Bank borrowings – long term	18	190,181	29,321
Total non-current liabilities		329,284	54,029
Current liabilities			
Trade and other payables	19	2,177,273	743,715
Notes payable – short term	17	208,526	71,534
Bank borrowings – short term	18	42,588	11,728
Total current liabilities		2,428,387	826,977
Total liabilities		2,757,671	881,006
Total equity and liabilities		7,220,667	4,351,244


Saeed Eid Al Ghafli
Chairman


Mounir Haidar
Chief Executive Officer


Ala'a Khannak
Chief Financial Officer

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

**Income statement
for the year ended 31 December 2007**

		Year ended 31 December 2007 AED'000	Period from 26 July 2005 (inception) to 31 December 2006 AED'000
	Notes		
Revenue	20	2,320,961	630,225
Cost of revenue	21	(1,001,343)	(643,114)
		<hr/>	<hr/>
Gross operating profit/(loss)		1,319,618	(12,889)
Fair value gain on investment property		-	650,451
Unrealised gain/(loss) on financial assets at fair value through profit or loss	12	47,420	(147,768)
Realised gain on disposal of financial assets at fair value through profit or loss		48,627	36,025
Share of net profits from associates	8	18,431	-
General and administrative expenses	22	(165,076)	(53,940)
Selling and marketing expenses		(99,802)	(63,716)
Interest income, net	23	70,023	558,274
Other income		18,150	9,093
		<hr/>	<hr/>
Profit for the year/period		1,257,391	975,530
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share attributable to equity holders of the Company (in AED per share)	24	0.50	0.39
		<hr/> <hr/>	<hr/> <hr/>

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

SOROUH REAL ESTATE PJSC

6

**Statement of changes in equity
for the year ended 31 December 2007**

	Share capital AED'000	Share issuance costs AED'000	Statutory reserve AED'000	Retained earnings AED'000	Total AED'000
Issue of share capital	2,500,000	-	-	-	2,500,000
Share issuance fees	-	25,000	-	-	25,000
Share issuance costs	-	(30,292)	-	-	(30,292)
Profit for the period	-	-	-	975,530	975,530
Transfer to statutory reserve	-	-	97,553	(97,553)	-
Balance at 1 January 2007	2,500,000	(5,292)	97,553	877,977	3,470,238
Profit for the year	-	-	-	1,257,391	1,257,391
Transfer to statutory reserve	-	-	125,739	(125,739)	-
Dividends	-	-	-	(250,000)	(250,000)
Directors' remuneration for the year 2006	-	-	-	(14,633)	(14,633)
Balance at 31 December 2007	2,500,000	(5,292)	223,292	1,744,996	4,462,996

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

Statement of cash flows for the year ended 31 December 2007

	Year ended 31 December 2007 AED'000	Period from 26 July 2005 (inception) to 31 December 2006 AED'000
Operating activities		
Net profit for the year / period	1,257,391	975,530
Adjustments for:		
Depreciation of property and equipment	2,962	1,390
Amortisation of non-cash prepaid leases	53,948	242,904
Provision for infrastructure costs	226,581	398,886
Adjustments to property and equipment	1,334	-
Fair value gain on investment property	-	(650,451)
Unrealised (gain)/loss on financial assets at fair value through profit and loss	(47,420)	147,768
Realised gain on disposal of financial assets at fair value through profit and loss	(48,627)	(36,025)
Share of net profits from associates	(18,431)	-
Loss on disposal of property and equipment	276	-
Interest income, net	(70,023)	(558,274)
Dividend income	(8,015)	(2,792)
Provision for employees' end of service benefits	2,386	864
Operating cash flows before movements in working capital	1,352,362	519,800
Increase in land held for sale	(614,822)	-
Increase in trade and other receivables	(1,835,439)	(528,804)
Increase in trade and other payables	1,159,799	465,143
Increase in notes payable	648,007	95,378
Net cash from operations	709,907	551,517
Investing activities		
Acquisition of projects in progress	-	(413,000)
Purchase of property and equipment	(16,316)	(7,617)
Expenditure on investment properties	(18,251)	-
Expenditure on investment properties under development	(223,746)	(348,620)
Expenditure on development work in progress	(667,615)	(468,628)
Purchase of available-for-sale financial assets	(23,251)	-
Purchase of financial assets at fair value through profit and loss	-	(503,012)
Disposal of financial assets at fair value through profit and loss	216,225	128,292
Investment in associates	(30,000)	(123,300)
Interest received	74,739	547,858
Dividend received	8,015	2,792
Net cash used in investing activities	(680,200)	(1,185,235)
Financing activities		
Net proceeds from issuance of share capital	-	2,105,000
Share issuance cost paid, net	-	(5,292)
Repayment of bank borrowings acquired	(5,864)	(36,280)
Bank borrowings raised	197,584	23,975
Dividends paid	(217,455)	-
Net cash (used in)/from financing activities	(25,735)	2,087,403
Net increase in cash and cash equivalents	3,972	1,453,685
Cash and cash equivalents at the beginning of the year / period	1,453,685	-
Cash and cash equivalents at the end of the year / period (Note 14)	1,457,657	1,453,685

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

Notes to the financial statements for the year ended 31 December 2007

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 Market.

The Company's principal activities include real estate development and sale, real estate investment, property management 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 Adoption of new and revised Standards

2.1 Standards and interpretations effective in the current period

In the current year, the Company has adopted *IFRS 7 Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to *IAS 1 Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial statements and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are as follows:

- *IFRIC 7: Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- *IFRIC 8: Scope of IFRS 2*
- *IFRIC 9: Reassessment of Embedded Derivatives*
- *IFRIC 10: Interim Financial Reporting and Impairment*

The adoption of these interpretations has not led to any changes in the Company's accounting policies.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

2 Adoption of new and revised Standards (continued)

2.2 Standards and interpretations in issue not yet adopted

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

- | | |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| • IFRS 8 <i>Operating Segments</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 23 (Revised) <i>Borrowing Costs</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 1 (Revised) <i>Presentation of Financial Statements</i> | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 11 <i>IFRS 2: Group and Treasury Share Transactions</i> | Effective for annual periods beginning on or after 1 March 2007 |
| • IFRIC 12 <i>Service Concession Arrangements</i> | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRIC 13 <i>Customer Loyalty Programmes</i> | Effective for annual periods beginning on or after 1 July 2008 |
| • IFRIC 14 <i>IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> | Effective for annual periods beginning on or after 1 January 2008 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

3 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements are presented in UAE Dirhams (AED) as this is the currency in which the majority of the Company's transactions are denominated.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments. The principal accounting policies are set out below.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregated of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in an associate

An associate is an entity over which the Company 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 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 balance sheet at cost as adjusted for post-acquisition changes in the Company'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 Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in associate) are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Investment in an associate (continued)

Where the Company transacts with an associate, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition

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

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

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

Lease income from operating leases is recognised on a straight-line basis over the lease term.

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

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

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Leasing

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

The Company as lessor

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

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

The Company as lessee

Lease payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than UAE Dirham (AED) are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Differences on exchange are included in the income statement for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period which they are incurred.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of property and equipment over their useful lives using the straight line method on the following basis:

Furniture and fixtures	4 years
Office equipment	3 – 5 years
Motor vehicles	3 years

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

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

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Company's policies.

Investment property

Investment property, which is properly 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 income statement in the period in which they arise.

Investment properties under development

Properties in the course of construction for rental or appreciation in value are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including direct staff costs. Upon completion of construction or development, such properties are transferred to investment properties.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

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.

Land held for resale

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

Government grants

Land granted by the government is recognised at nominal value where there is reasonable assurance that the land will be received and the Company will comply with any attached conditions, where applicable.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for end-of-service benefits

The Company provides end of service benefits for its non-UAE national employees in accordance with UAE labour law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for U.A.E. citizens are made by the Company in accordance with Federal Law No. 7 of 1999.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its assets whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

Cash and cash equivalents

Cash and cash equivalents comprised cash on hand and balances at banks maturing within three months from the balance sheet date.

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.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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 Company 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.

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 Company'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.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

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 income statement for equity investments classified as available-for-sale are not subsequently reversed through income statement.

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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date.

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 Company'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.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 profit or loss.

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.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

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

4 Critical accounting judgements and key sources of estimation uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Business Combinations

In accordance with International Financial Reporting Standards, the Company is required to allocate the cost of business combinations by recognising, at fair value the acquiree's identifiable assets, liabilities and contingent liabilities that meet certain recognition criteria. In doing so, management have exercised their judgment, based on experience and knowledge of the industry, in determining the applicability of the recognition criteria, including the separability of intangible assets, the amortisation timetable and the impairment tests to be applied in future.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

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

Critical judgments in applying the Company's accounting policies (continued)

Classification of properties

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

Key sources of estimation

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

Allowance for doubtful debts

Management has estimated the recoverability of accounts receivable balances and has considered the allowance required for doubtful debts based on the current economic environment and past default history.

Estimate of fair value of investment property

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the management determined the amount within a range of reasonable fair value estimates by considering recent transaction prices or rentals and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same or similar locations and conditions, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has also identified any differences in the nature, location or condition of the properties, or in the contractual terms of the leases and other contracts, with adjustments made to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at market prices. Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

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

Key sources of estimation (continued)

Provision for infrastructure construction

The Company has an obligation under the terms of its ground sale and purchase agreement to develop the infrastructure of the purchased land on Al Reem Island (Note 26a). Infrastructure cost is deemed to form part of the cost of revenue and is based on management estimate. The provision for infrastructure costs requires the Company's management to revise its estimate of such costs on a regular basis in light of current market prices for inclusion as part of the cost of revenue.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculations require the entity to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value of those estimated future cash flows.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

5 Property and equipment

	Furniture & fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost					
Additions	2,429	3,980	558	650	7,617
1 January 2007	2,429	3,980	558	650	7,617
Additions	4,105	2,022	525	9,664	16,316
Disposals	-	-	(301)	-	(301)
Adjustments	(422)	(245)	-	(667)	(1,334)
31 December 2007	6,112	5,757	782	9,647	22,298
Accumulated depreciation					
Charge for the period	143	1,047	200	-	1,390
1 January 2007	143	1,047	200	-	1,390
Disposals	-	-	(25)	-	(25)
Charge for the year	1,190	1,530	242	-	2,962
31 December 2007	1,333	2,577	417	-	4,327
Carrying amount					
31 December 2007	4,779	3,180	365	9,647	17,971
31 December 2006	2,286	2,933	358	650	6,227

Property and equipment includes a plot of land granted by the Government of Abu Dhabi, on which the Company has the intention to build its head office premises. The land is accounted for at nominal value of AED 1.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

6 Investment properties

Investment properties comprise of the following:

	2007 AED'000	2006 AED'000
Land held as investment property	650,451	650,451
Villas held as investment property	202,528	184,277
	<u>852,979</u>	<u>834,728</u>

Fair value of investment properties:

	2007 AED'000	2006 AED'000
Opening balance	834,728	-
Additions	18,251	-
Transfer from properties under development	-	184,277
Increase in fair value of land	-	650,451
	<u>852,979</u>	<u>834,728</u>

The fair value of investment property has been estimated by management by considering recent transaction prices or rentals and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing leases and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same or similar locations and conditions, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Management has also identified any differences in the nature, location or condition of the properties, or in the contractual terms of the leases and other contracts, with adjustments made to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at market prices.

As at year end, management estimated the fair value of its investment properties and determined that there is no fair value gain or loss on its investment properties for the year ended 31 December 2007.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

7 Investment properties under development

	2007 AED'000	2006 AED'000
Opening balance	184,692	184,692
Additions during the year	240,554	-
Less: Impairment	(16,808)	-
	<hr/>	<hr/>
	408,438	184,692
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements
for the year ended 31 December 2007 (continued)

8	Investment in associates	Share in Ownership	Place of registration	Cost at 1 January 2007 AED'000	Addition AED'000	Share in current year's profit/(loss) AED'000	Allocated to associate current account AED'000	Share in underlying net assets at 31 December 2007 AED'000	Share in underlying net assets at 31 December 2006 AED'000
	Bunya LLC (formerly Bayt Al Khidmah LLC)	33.33 %	Abu Dhabi	3,300	-	(5,591)	2,291	-	3,300
	Green Emirates Properties PJSC	20%	Abu Dhabi	60,000	-	20,946	-	80,946	60,000
	Aseel PJSC	20%	Abu Dhabi	60,000	-	3,076	-	63,076	60,000
	Al Maabar International Investment LLC	30%	Abu Dhabi	-	30,000	-	-	30,000	-
				<u>123,300</u>	<u>30,000</u>	<u>18,431</u>	<u>2,291</u>	<u>174,022</u>	<u>123,300</u>

As at the balance sheet date there were no significant post acquisition changes in the Company's share of net assets Al Maabar International Investment LLC.

As at the balance sheet date, only 60% of the capital was called and collected by Green Emirates Properties PJSC and Aseel PJSC (the "Associates"). The remaining 40% is payable within two years from the date of registration of the Associates in the commercial registry. As at balance sheet date only 20% of the capital was called and collected by Al Maabar International Investment LLC. The remaining 80% is payable as and when called.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

8 Investment in associates (continued)

Latest available financial information in respect of the Company's associates is summarised below:

	2007 AED '000
Total assets	1,786,072
Total liabilities	(962,221)
Net assets	823,851
Company's share of net assets of associates	174,022
Total revenue	159,940
Total profit for the year	101,141
Company's share of profits of associates	18,431

9 Available-for-sale financial assets

	2007 AED '000	2006 AED '000
Balance at the beginning of the year/period	16,000	-
Additions during the year/period	23,251	16,000
Balance at the end of the year/period	39,251	16,000

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

9 Available-for-sale financial assets (continued)

Available-for-sale financial assets represent investments in unlisted equity securities of companies registered in the United Arab Emirates and subscriptions to non-UAE funds. Due to the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost. Management believes that the fair market value of these available-for-sale financial assets approximates their cost.

There were no disposals or impairment provisions on available-for-sale financial assets during the year.

10 Prepaid leases

	2007 AED'000	2006 AED'000
Opening balance	473,978	-
Payments during the year/period	4,500	701,704
Offset against notes payables upon cancellation of lease and purchase of freehold title (Note 26a)	(399,006)	-
Charged to income statement during the year	(58,448)	(227,726)
	<hr/>	<hr/>
Balance at period end	21,024	473,978
Less: Prepaid leases – short term	(433)	(176,803)
	<hr/>	<hr/>
Prepaid leases – long term	<u>20,591</u>	<u>297,175</u>

The prepaid leases-long term are charged to the income statement as follows:

	2007 AED'000	2006 AED'000
Over the next 4 years	1,734	277,884
After 4 years	18,857	19,291
	<hr/>	<hr/>
	<u>20,591</u>	<u>297,175</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

11 Development work-in-progress

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

	2007 AED'000	2006 AED'000
Golf Gardens	450,830	273,184
Sky Tower	411,942	81,594
Danet Abu Dhabi	81,785	3,756
Lulu Island	48,074	20,048
Al Nagfa	25,635	-
Projects under planning	63,813	35,882
	<u>1,082,079</u>	<u>414,464</u>

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

12 Financial assets at fair value through profit or loss

	2007 AED'000	2006 AED'000
Balance at the beginning of the year/period	246,977	-
Additions during the year/period	-	489,458
Disposal during the year/period	(167,598)	(94,713)
Fair value gain/(loss)	47,420	(147,768)
	<u>126,799</u>	<u>246,977</u>

The investments included above are held for trading and represent investments in listed equity securities that offer the Company 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 financial statements
for the year ended 31 December 2007 (continued)**

13 Trade and other receivables

	2007 AED'000	2006 AED'000
Trade receivables	1,579,913	192,683
Advances to contractors	286,044	-
Advance for investment property	73,774	30,274
Prepayments	36,674	7,854
Interest receivable	5,700	10,416
Other receivables	82,788	5,661
Due from related parties	15,377	4,950
	<u>2,080,270</u>	<u>251,838</u>

Trade receivables represent the amounts due from sales of plots of land. No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest may be charged at 12% per annum on the outstanding payment.

Trade receivables over 120 days are provided for based on estimated irrecoverable amounts from the sale of plots of land, determined by reference to management expectations.

Of the trade receivables balance at the end of the year, 68% is due from 10 major customers. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Company's trade receivable balance are debtors with a carrying amount of AED 167 million (2006 : Nil) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 91 days (2006: 0 days).

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

13 Trade and other receivables (continued)

Ageing of past due but not impaired

	2007 AED'000	2006 AED'000
Current	33,798	-
30-60 days	16,649	-
60-90 days	28,353	-
90-120 days	25,994	-
Over 120 days	62,541	-
	<u>167,335</u>	<u>-</u>

Movement in the allowance for doubtful debts

	2007 AED '000	2006 AED '000
Balance at beginning of the year	-	-
Impairment losses	19,578	-
	<u>19,578</u>	<u>-</u>

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables is over 120 days.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

14 Cash and cash equivalents

	2007 AED'000	2006 AED'000
Cash in hand	94	55
Current account	48,230	29,353
Fixed deposits	1,409,333	1,424,277
	<u>1,457,657</u>	<u>1,453,685</u>

Fixed deposits mature within three months from the balance sheet date. The effective interest rate on such deposits ranges between 4.6% - 5.0% per annum.

15 Share capital

Share capital comprises of 2,500,000,000 authorised, issued and fully paid up ordinary shares of AED 1 each. Equity includes ordinary shares of AED 395 million issued at nominal value to the previous owner of Al Reem Island as partial payment of the purchase obligation (Note 26 a).

16 Statutory reserve

In accordance with its Articles of Association and the UAE Federal Law No. (8) of 1984, as amended, 10% of the annual net profit of the Company is transferred to a statutory reserve that is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital of the Company.

17 Notes payable

The Company entered into a Sale & Purchase Agreement ("SPA") for the purchase of two plots of land in the Emirate of Abu Dhabi for a total consideration of AED 241 million and AED 72 million, respectively. As at balance sheet date, the outstanding balance payable was AED 23.8 million and AED 48.8 million, respectively.

The Company also entered into a SPA on 1 April 2007 for the purchase of freehold title to a portion of Al Reem Island in Abu Dhabi for a consideration of AED 1,074,260,000 (Note 26a). As at balance sheet date, the outstanding balance payable was AED 271.7 million.

	2007 AED'000	2006 AED'000
Total payables as of year end	344,379	95,378
Less: Short term payables	(208,526)	(71,534)
Long term payables	<u>135,853</u>	<u>23,844</u>

The long term payables are repayable in 2009.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

18 Bank borrowings

	2007		2006	
	Current AED'000	Non current AED'000	Current AED'000	Non current AED'000
Secured – at amortised cost				
Bank loan (1)	10,588	24,597	11,728	29,321
Bank loan (2)	32,000	78,359	-	-
Bank loan (3)	-	87,225	-	-
	<u>42,588</u>	<u>190,181</u>	<u>11,728</u>	<u>29,321</u>

The non-current portion of the bank loan is repayable over the next 7 years.

Bank loan (1) represents a loan assumed by the Company following the acquisition of the six real estate projects of Al Rayan Investments Pvt JSC (“ARI”) (Note27). The loan bears an interest rate at 6 months EBOR 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 during the year from a local bank for the purpose of financing the construction of villas at Abu Dhabi Golf Residential Community. The loan bears an interest rate at 3 months EBOR plus a margin of 1.25 % per annum and is repayable over 1 year. The loan is secured by the assignment over income from sale of the villas.

Bank loan (3) was obtained during the year 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 EBOR plus a margin of 1.25 % per annum and is repayable at the end of the fourth year from the date of initial disbursement. The loan is secured by the assignment over income from sale of the units of Sky Tower.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

19 Trade and other payables

	2007	2006
	AED'000	AED'000
Trade payables	100,967	100,862
Advances from customers	1,318,914	386,102
Other payables	123,794	21,794
Provision for infrastructure construction	461,538	234,957
Accrued expenses	172,060	-
	<u>2,177,273</u>	<u>743,715</u>

Provision for infrastructure construction represents the estimated infrastructure cost of the Company's land on Al Reem Island (Note 26a) and for Saraya project as reduced by developments' expenditures incurred as of year end.

Until 31 March 2007, date of the SPA and the termination of the Musataha Agreement (Note 26a), infrastructure cost has been amortised on a straight line basis over the expected term of the lease and charged to the income statement as part of lease expense, reflecting the Company's obligation under the terms of the lease agreement. As from 1 April 2007, following the purchase of the freehold title of the same portion of land previously leased, infrastructure cost is being charged to the income statement on each sale of a plot to a customer.

20 Revenue

	Year ended	Period from
	31 December	26 July 2005
	2007	(inception) to
	AED'000	31 December
		2006
		AED'000
Sale of land	2,000,774	-
Lease income	320,187	630,225
	<u>2,320,961</u>	<u>630,225</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

21 Cost of revenue

	Year ended 31 December 2007 AED'000	Period from 26 July 2005 (inception) to 31 December 2006 AED'000
Cost of land sold	848,422	-
Lease expense	152,921	643,114
	<hr/>	<hr/>
	1,001,343	643,114
	<hr/> <hr/>	<hr/> <hr/>

22 General and administrative expenses

	Year ended 31 December 2007 AED'000	Period from 26 July 2005 (inception) to 31 December 2006 AED'000
Staff costs (Note 25)	68,462	38,326
Consultation and advisory costs	28,241	7,592
Allowance for doubtful debts	19,578	-
Project costs written off	10,127	-
Project costs impaired	16,808	-
Rent expense	4,923	2,002
Donations	3,100	220
Depreciation expense	2,962	1,390
Others	10,875	4,410
	<hr/>	<hr/>
	165,076	53,940
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

23 Interest income, net

	Year ended 31 December 2007 AED'000	Period from 26 July 2005 (inception) to 31 December 2006 AED'000
Interest on fixed deposits	72,925	125,003
Interest on subscriptions proceeds	-	437,064
Interest expense	(2,902)	(3,793)
	<u>70,023</u>	<u>558,274</u>

24 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year which amounted to 2,500,000,000 shares.

There were no potentially dilutive securities as at 31 December 2007.

25 Staff costs

	Year ended 31 December 2007 AED'000	Period from 26 July 2005 (inception) to 31 December 2006 AED'000
Salaries and wages	33,453	26,967
Other benefits	35,009	11,359
	<u>68,462</u>	<u>38,326</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

26 Transactions and balances with related parties

Related parties include the Company'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.

a) The Company entered into a lease agreement effective 26 October 2005 with a major shareholder for a portion of Al Reem Island in Abu Dhabi, United Arab Emirates. The lease agreement provided the Company with exclusive leasehold rights to the subject land for a period of 106 years. Total consideration under the lease agreement amounts to AED 1,074.3 million. According to the terms of the lease agreement, the Company agreed to pay in cash an amount of AED 679.3 million, of which AED 135.9 million is payable in four equal quarterly installments commencing 26 October 2005 and the remaining AED 543.4 million is to be paid in four equal annual installments commencing November 2006.

In accordance with the terms of the lease agreement, the remaining amount payable of AED 395 million is settled through the issuance of 395 million of the Company's common shares at AED 1 and recorded as prepaid leases and amortised on a straight-line basis over the term of the lease.

On 1 April 2007, the Company entered into a Sale and Purchase Agreement ("SPA") with the Owner of Al Reem Island whereby the two parties agreed that the Lease Agreement and subsequent amendments shall stand terminated with effect from the date of the SPA and the Company purchased the freehold title to the same plot of land previously leased. The economic terms and development conditions are unchanged from those under the previous agreements. Accordingly, the Company has offered freehold title to all clients that are nationals of the United Arab Emirates and other Gulf Cooperation Council with unchanged conditions.

b) The Company entered into lease agreements for land with several directors and other related parties. The leases were entered into on the same terms and conditions as those available to the general public. The total consideration receivable in relation with these leases amounted to AED 414 million of which lease income amounting to AED 20 million was recognised during the current year. As from 1 April 2007, the lease agreements have been terminated and replaced by Sale and Purchase Agreements. Revenue recognised on sale of these plots during the current year amounts to AED 191 million and the total consideration receivable amounts to AED 144 million.

c) Key management compensation for the current year consists of short-term benefits amounting to AED 10.9 million (2006: AED 3.8 million).

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

27 Business combination

On 15 October 2005, the Company entered into a definitive assignment agreement (the "Assignment Agreement") with ARI, a related party (Note 26 b), whereby the latter assigned to the Company all of its interest, rights, duties, obligations and title held in and to six real estate projects and whereby the Company assumed all of ARI's duties, obligations and future lease commitments relating to these projects for a cash consideration of AED 413 million.

The assets and liabilities arising from the assignment are as follows:

	Fair value AED'000	Acquiree's carrying value AED'000
Properties under development	130,114	130,114
Prepaid leases	34,500	34,500
Bank borrowings	(53,351)	(53,351)
Trade and other payables	(43,618)	(43,618)
	<hr/>	<hr/>
Net assets acquired	67,645	67,645
Goodwill	345,355	-
	<hr/>	<hr/>
Purchase consideration settled in cash	413,000	
	<hr/>	
Cash outflow on acquisition	413,000	
	<hr/>	

In accordance with the terms of the Assignment Agreement, ARI assigned its projects and bank borrowings to the Company.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

28 Commitments

Contractual capital commitments as at 31 December 2007 in respect of agreements with consultants and contractors for projects under development amounted to AED 3,023 million which are all expected to be paid within four years from the balance sheet date (Notes 7 and 11). The Company has also a commitment of AED 200 million towards investment in associates.

The future aggregate minimum lease payments under non-cancellable operating leases discussed in Notes 26 and 27 are as follows:

	2007	2006
	AED'000	AED'000
Not later than one year	4,500	140,352
Later than one year but not later than five years	53,000	324,704
Later than five years	455,000	455,000
	<hr/> 512,500 <hr/>	<hr/> 920,056 <hr/>

29 Financial instruments

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2006.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 18, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

Gearing ratio

The Company's Board of Directors reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and debt. The Company has targeted a maximum gearing ratio of 100% determined as the proportion of debt to equity. The Company expects to increase its gearing ratio closer to 60% through the issue of new debt in 2008.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

29 Financial instruments

Gearing ratio (continued)

The gearing ratio at the year end was as follows:

	2007 AED'000	2006 AED'000
Debt (1)	232,769	41,049
Equity (2)	4,462,996	3,470,238
Debt to equity ratio	5.2%	1.2%

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

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives

The Company's Corporate Treasury function co-ordinates access to domestic and international financial markets and monitors and manages the financial exposures relating to the operations of the Company. These financial exposures include credit risk, liquidity risk and cash flow interest rate risk.

The Corporate Treasury function reports monthly to the Company's Investment Committee, an independent body that monitors funding and investment policies.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates (as illustrated below).

Foreign currency risk management

The company has no significant foreign exchange exposure and consequently has no need to actively manage this exposure.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

29 Financial instruments (continued)

Interest rate risk management

The Company's exposure to interest rate risk results mainly from its funds borrowed at floating interest rates and short term deposits at fixed interest rates. Interest rate risk on borrowed funds is not actively managed as amounts borrowed to date are not significant enough to warrant the costs of actively managing the exposure. The Company actively manages its interest rate risk on deposits.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2007 would decrease/increase by AED 0.2 million (2006: decrease/increase by AED 0.2 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Other price risks

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

29 Financial instruments (continued)

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

- The Company's profit would increase/decrease by AED 6.2 million (2006: increase/decrease by AED 12.2 million) as a result of the Company's portfolio classified at fair value through profit and loss.
- The Company's equity reserves would increase/decrease by AED 2 million (2006: increase/decrease by AED 0.8 million) as a result of the Company's portfolio classified as available for sale investments.

The Company's sensitivity to equity prices has changed significantly from the prior year as a significant portion of the portfolio has been disposed.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company's significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics is provided in Note 13. The Company defines counterparties as having similar characteristics if they are related entities. Except where related to liquid funds the concentration of credit risk did not exceed 15% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

The carrying amount of trade and other receivables and cash and cash equivalents represents the Company's maximum exposure to credit risk.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

29 Financial instruments (continued)

Liquidity risk management

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

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

	Effective Interest rate	Less than 1 month	1-6 months	7 months to 1 year	1-5 years	5+ years	Total
	%	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2007							
Non-interest bearing	-	320,589	72,673	141,039	682,967	15	1,217,283
Interest bearing instruments	5.80	-	-	42,588	190,181	-	232,769
		<u>320,589</u>	<u>72,673</u>	<u>183,627</u>	<u>873,148</u>	<u>15</u>	<u>1,450,052</u>
2006							
Non-interest bearing	-	104,862	23,845	50,300	258,801	5	437,813
Interest bearing instruments	6.75	-	-	11,728	29,321	-	41,049
		<u>104,862</u>	<u>23,845</u>	<u>62,028</u>	<u>288,122</u>	<u>5</u>	<u>478,862</u>

**Notes to the financial statements
for the year ended 31 December 2007 (continued)**

29 Financial instruments (continued)

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Effective Interest rate	Less than 1 month	1-6 months	7 months to 1 year	1-5 years	5+ years	Total
	%	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2007							
Non-interest bearing	-	235,873	210,134	298,267	939,378	221	1,683,873
Interest bearing instruments	4.77	936,434	537,451	-	-	-	1,473,885
		<u>1,172,307</u>	<u>747,585</u>	<u>298,267</u>	<u>939,378</u>	<u>221</u>	<u>3,157,758</u>

	Effective Interest rate	Less than 1 month	1-6 months	7 months to 1 year	1-5 years	5+ years	Total
	%	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
2006							
Non-interest bearing	-	10,559	84,024	1,616	113,521	139	209,859
Interest bearing instruments	5.88	775,688	710,680	-	-	-	1,486,368
		<u>786,247</u>	<u>794,704</u>	<u>1,616</u>	<u>113,521</u>	<u>139</u>	<u>1,696,227</u>

The Company has access to financing facilities, of which the unutilised amount is AED 2.1 billion at the balance sheet date. The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Company expects to maintain current debt to equity ratio, within 60-80% limits. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

**Notes to the financial statements
for the year ended 31 December 2007 (continued)****30 Segment reporting**

The Company operates in its primary business segment which comprises real estate investment and development. The Company operates in only one geographical segment which is the United Arab Emirates.

31 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 28 January 2008.

32 Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.