

Sorouh Real Estate P.J.S.C.

ADX Financial Report

For the six months ended

June 30, 2011

The financial information contained in this financial review is extracted from the Condensed Consolidated Financial Statements as at 30 June 2011.

1- Income Statement Review

Key Income Statement Caption

	Three months ended		Six months ended	
	June 30, 2011 (unaudited) AED'000	June 30, 2010 (unaudited) AED'000	June 30, 2011 (unaudited) AED'000	June 30, 2010 (unaudited) AED'000
Revenue	1,218,229	189,816	1,670,249	620,500
Cost of Revenue	(1,073,260)	(114,062)	(1,413,142)	(333,886)
Gross Profit	144,969	75,754	257,107	286,614
Gain on financial assets at fair value through profit and loss	179	767	151	2,620
Realised gain on disposal of available-for-sale financial assets	4,395	456	4,420	481
Impairment loss on available-for-sale financial assets	-	(17,513)	-	(17,513)
Project costs written off and impaired	(313)	(232)	(1,651)	(505)
Reversal of impairment of project costs	-	14,716	-	14,716
Impairment of goodwill	(14,431)	-	(14,431)	-
Share of profit/(loss) from associates and joint ventures	2,666	2,971	(632)	(7,116)
Gain on disposal of investment property	15,794	-	15,794	-
Provision for doubtful debts	(6,150)	(41,000)	(6,150)	(46,481)
General and administrative expenses	(51,220)	(46,309)	(95,332)	(113,031)
Selling and marketing expenses	(10,549)	(10,908)	(13,162)	(22,859)
Finance income	11,367	7,818	21,535	15,124
Finance costs	(1,593)	(15,738)	(9,531)	(34,667)
Other income	30,198	49,434	43,471	74,485
Net profit for the period	125,312	20,216	201,589	151,858
Attributable to:				
Owners of the Company	110,440	30,838	174,719	160,594
Non-controlling interest	14,872	(10,622)	26,870	(8,736)
Net profit for the period	125,312	20,216	201,589	151,858
Basic and diluted earnings per share (in AED per share)	0.04	0.01	0.07	0.06

Net Profit

Sorouh reported a net profit of AED 201.6 million (seven fils per share) for the first half of the year 2011, compared to the first half of the year in 2010 when the net profit was AED 151.9 million (six fils per share).

Revenue

Revenue increased by 170% to AED 1.67 billion during the first half of 2011 compared to the first half of 2010 and derives from the recognition of commercial and residential units delivered in Sun & Sky Towers, delivery of villas in Golf Gardens as a result of new sales, construction revenue from national housing projects, rental income from investment properties and revenue from the operations of our subsidiaries (Pivot, Khidmah and Tilal Liwa Hotel).

The gross profit margin reduced from 46% during the first half of 2010 to 15% during the current period as a result of the change in revenue mix.

Expenses

General and administrative expenses were AED 95 million for the half year ended 30 June 2011, compared to AED 113 million for the same period in 2010, a reduction of 16% over last year.

Selling and marketing expenses were AED 13 million for the first half of 2011, compared to AED 23 million in the same period of 2010, a reduction of 42% over last year.

The reduction in expenses of 20% for the six month period ended June 30, 2011 reflects our continued efforts towards cost control through a series of prudent and successful initiatives.

2. Balance Sheet Review

Key Balance Sheet Captions	June 30, 2011 (unaudited) AED Million	December 31, 2010 (audited) AED Million
Investment Properties	2,071	1,675
Development work in progress	5,564	5,273
Cash and Cash equivalents	1,320	1,307
Net Assets (Total Assets Less Total Liabilities)	6,366	6,178
Total Assets	13,990	13,634

Total Assets

Total assets increased by 2.6% from AED 13.6 bn as at 31 December 2010 to AED 14 bn as at 30 June 2011.

Investment Properties

The increase over 31 December 2010 is mainly due to increased expenditure on al rayyana development and the transfer of Boutik Shams to investment properties from development work in progress. The increase has been offset by the reclassification of Abu Dhabi Aviation project as a finance lease which resulted in a gain of AED 15.8 million.

Development Work in Progress

The balance sheet item of AED 5.6 billion represents properties being developed for sale and recorded at cost, including attributable cost to the design and construction of such properties. The increase over 31 December 2010 represents mainly expenditures to complete the Sun and Sky Towers project and the progress of The Gate Towers project, Boutik Al Ain and Sorouh's Tower at Danat Abu Dhabi, offset by cost charged to P&L for units recognised and the transfer of Boutik Shams to Investment Properties.

Cash and bank balances

The company's liquid funds increased marginally from AED 1.31 billion as at 31 December 2010 to AED 1.32 billion as at 30 June 2011 as a result of the drawdown of AED 500 million from the club loan facility, increased collections upon delivery of the Sun & Sky Towers and collection of plot receivables. This has been offset by payments made for development projects. Further, Sorouh has AED 500 million of undrawn committed facilities available as part of its AED 2.7bn club loan facility.

Net Asset Value

The net asset value of the company increased by 3% from AED 6,178 million at 31 December 2010 to AED 6,366 million at 30 June 2011 mainly due to the profit earned during the current period.



Richard Amos
Chief Financial Officer