

SOROUH REAL ESTATE PJSC

**Review report and interim
financial information for the
period ended 30 September 2011**

SOROUH REAL ESTATE PJSC

Review report and interim financial information for the period ended 30 September 2011

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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 2011 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, "Interim Financial Reporting".

Deloitte & Touche (M.E.)



Saba Y. Sindaha
Registration Number 410
30 October 2011




**Condensed consolidated statement of financial position
as at 30 September 2011**


		30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		131,081	152,550
Investment properties	4	2,617,431	1,674,650
Intangible assets		126,715	129,435
Goodwill	5	278,725	315,648
Investment in associates and joint ventures	6	358,281	353,552
Available-for-sale financial assets	7	120,644	131,863
Prepaid leases – long term		18,966	19,291
Finance lease receivable	8	108,062	-
Trade and other receivables	9	203,649	506,055
Other financial assets	10	-	514
		<hr/>	<hr/>
Total non-current assets		3,963,554	3,283,558
Current assets			
Inventories		45,343	35,672
Land held for resale	11	552,087	614,687
Development work-in-progress	12	4,847,873	5,273,146
Financial assets at fair value through profit or loss	13	2,576	2,458
Finance lease receivable	8	13,903	-
Trade and other receivables	9	2,919,846	3,117,382
Cash and bank balances	14	1,222,190	1,306,861
		<hr/>	<hr/>
Total current assets		9,603,818	10,350,206
		<hr/>	<hr/>
Total assets		13,567,372	13,633,764
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The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of financial position
as at 30 September 2011 (continued)**

	Notes	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	2,625,000	2,625,000
Share issuance costs, net		(5,292)	(5,292)
Statutory reserve		458,131	458,131
Hedging reserve		(14,799)	(8,462)
Revaluation reserve		58	(568)
Translation reserve		(3,624)	(3,237)
Retained earnings		3,235,699	2,993,642
		<hr/>	<hr/>
Equity attributable to owners of the Company		6,295,173	6,059,214
Non-controlling interest		169,152	118,760
		<hr/>	<hr/>
Total equity		6,464,325	6,177,974
Non-current liabilities			
Provision for end of service benefits		35,470	31,750
Bank borrowings – long term	16	2,147,860	1,630,117
Due to related parties	22	5,665	19,497
Other long term payables		279	326
Other financial liabilities	10	5,823	-
		<hr/>	<hr/>
Total non-current liabilities		2,195,097	1,681,690
Current liabilities			
Trade and other payables	17	4,902,086	5,761,557
Bank borrowings – short term	16	5,864	12,543
		<hr/>	<hr/>
Total current liabilities		4,907,950	5,774,100
		<hr/>	<hr/>
Total liabilities		7,103,047	7,455,790
		<hr/>	<hr/>
Total equity and liabilities		13,567,372	13,633,764
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Saeed Eid Al Ghafli
Chairman


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Abubaker Seddiq Al Khouri
Managing Director


.....
Richard James Amos
Chief Financial Officer

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

**Condensed consolidated statement of income
for the period ended 30 September 2011**

	Notes	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
		2011 (unaudited) AED'000	2010 (unaudited) AED'000	2011 (unaudited) AED'000	2010 (unaudited) AED'000
Revenue		890,448	387,777	2,560,697	1,008,277
Cost of revenue		(720,351)	(196,002)	(2,133,493)	(529,888)
Gross profit		170,097	191,775	427,204	478,389
(Loss)/gain on financial assets at fair value through profit or loss		(33)	120	118	2,740
Realised gain on disposal of available-for-sale financial assets		-	32	4,420	513
Realised loss on disposal of other financial assets		-	(21,191)	-	(21,191)
Project costs written off and impaired		(184)	(229)	(1,835)	(734)
Impairment of goodwill		(22,492)	-	(36,923)	-
Gain on disposal of investment property		-	-	15,794	-
Fair value loss on investment properties		(22,508)	-	(22,508)	-
Reversal of impairment of project costs		-	9,010	-	23,726
Provision for doubtful debts		(5,659)	(18,359)	(11,809)	(64,840)
Impairment loss on available-for-sale financial assets		-	-	-	(17,513)
Share of profits/(loss) from associates and joint ventures		3,360	(1,759)	2,728	(8,875)
General and administrative expenses		(44,722)	(66,415)	(140,054)	(179,446)
Selling and marketing expenses		(3,432)	(5,518)	(16,594)	(28,387)
Finance income	18	8,849	14,080	30,384	29,204
Finance costs	19	(9,809)	(51,070)	(19,340)	(85,737)
Other income	20	10,120	12,438	53,591	86,923
Profit for the period		83,587	62,914	285,176	214,772
Attributable to:					
Owners of the Company		67,338	59,295	242,057	219,889
Non-controlling interest		16,249	3,619	43,119	(5,117)
Profit for the period		83,587	62,914	285,176	214,772
Basic and diluted earnings per share (in AED per share)	21	0.03	0.02	0.09	0.08

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 2011**

	3 months ended 30 September		9 months ended 30 September	
	2011 (unaudited) AED'000	2010 (unaudited) AED'000	2011 (unaudited) AED'000	2010 (unaudited) AED'000
Profit for the period	83,587	62,914	285,176	214,772
Other comprehensive income/(loss):				
Release on disposal of available-for-sale financial assets	-	(15)	626	27
Decrease in fair value of available-for-sale financial assets	-	(802)	-	(5,644)
Impairment loss on available-for-sale financial assets	-	-	-	17,513
Interest rate cash flow hedge	-	11,898	(6,337)	5,117
Exchange differences arising on translation of foreign operations	342	6	(484)	(1,807)
Directors' remuneration	-	-	-	(9,656)
Other comprehensive income/(loss) for the period	342	11,087	(6,195)	5,550
Total comprehensive income for the period	83,929	74,001	278,981	220,322
Total comprehensive income attributable to:				
Owners of the Company	67,612	70,382	235,959	225,802
Non-controlling interest	16,317	3,619	43,022	(5,480)
	83,929	74,001	278,981	220,322

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

SOROUH REAL ESTATE PJSC

Condensed consolidated statement of changes in equity for the period ended 30 September 2011 (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 Company AED'000	Non- controlling interest AED'000	Total AED'000
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)	-	-	-	-
Balance at 30 September 2010	2,625,000	(5,292)	457,387	(8,976)	(763)	(3,096)	3,206,836	6,271,096	104,938	6,376,034
Balance at 1 January 2011	2,625,000	(5,292)	458,131	(8,462)	(568)	(3,237)	2,993,642	6,059,214	118,760	6,177,974
Profit for the period	-	-	-	-	-	-	242,057	242,057	43,119	285,176
Other comprehensive income/(loss) for the period	-	-	-	(6,337)	626	(387)	-	(6,098)	(97)	(6,195)
Contribution in the capital of a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	14,000	14,000
Dividend paid	-	-	-	-	-	-	-	-	(6,630)	(6,630)
Balance at 30 September 2011	2,625,000	(5,292)	458,131	(14,799)	58	(3,624)	3,235,699	6,295,173	169,152	6,464,325

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 2011**

	9 months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	AED'000	AED'000
Net cash used in operating activities	(114,562)	(393,854)
Investing activities		
Payments for property, plant and equipment	(6,918)	(16,325)
Proceeds from disposal of property, plant and equipment	143	391
Payments for investment properties	(405,910)	(401,907)
Payments for available-for-sale financial assets	-	(27)
Proceeds from disposal of available-for-sale financial assets	16,265	1,505
Proceeds from disposal of financial assets at fair value through profit and loss	-	20,807
Investment in associates and joint ventures	-	2,070
Interest income received	30,861	21,234
Movement in term deposits with original maturities greater than three months and restricted short term deposits	(51,728)	1,015,331
Net cash (used in)/ generated by investing activities	(417,287)	643,079
Financing activities		
Contribution in the capital of a subsidiary by non-controlling Shareholders	14,000	-
Dividends paid to non-controlling shareholders	(6,630)	(5,710)
Net movement in bank borrowings	511,064	1,604,994
Directors' remuneration paid	-	(9,656)
Repayment of non-convertible Sukuk	-	(1,982,969)
Finance costs paid	(122,984)	(46,202)
Net cash generated by/ (used in) financing activities	395,450	(439,543)
Net decrease in cash and cash equivalents	(136,399)	(190,318)
Cash and cash equivalents at the beginning of the period	1,132,695	1,605,669
Cash and cash equivalents at the end of the period (note 14)	996,296	1,415,351

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 2011**

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 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : relating to grouping items recognised in other comprehensive income	1 July 2012
Amendments to IAS 12: <i>Income Taxes</i> relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 <i>Employee Benefits</i> (revised 2011)	1 January 2013
IAS 27 <i>Separate Financial Statements</i> (revised in 2011)	1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i> (revised in 2011)	1 January 2013
Amendments to IFRS 1: <i>Removal of Fixed Dates for First-Time Adopter</i>	1 July 2011
Amendments to IFRS 1: <i>Severe Hyperinflation</i>	1 July 2011
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 9 <i>Financial Instruments</i> (as amended in 2010)	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2011**

2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective (continued)

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

3 Summary of significant accounting policies

3.1 Basis of preparation

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

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

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

The accounting policies and estimates used in the preparation of these condensed consolidated financial statements are consistent with those in the audited annual financial statements for the year ended 31 December 2010.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investments in associates and joint ventures, investment properties, investment properties under development, development work in progress, land held for sale, financial assets and derivative financial instruments have been disclosed in paragraphs 3.3 to 3.9 below.

3.2 Basis of consolidation

Details of the Company's subsidiaries at 30 September 2011 are as follows:

Name of subsidiaries	Place of incorporation	ownership interest %	Principal activities
Sorouh International Limited	U.A.E.	100	Holding company of foreign entities
Gate Towers- Shams Abu Dhabi L.L.C.	U.A.E.	100	Development of Gate Towers
Sorouh Abu Dhabi Real Estate L.L.C.	U.A.E.	100	Act as Mudareb in accordance with the Sukuk Issue structure
Sorouh International Development Limited	U.A.E.	100	Development of properties and real estate

**Notes to the interim condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

Name of subsidiaries	Place of incorporation	ownership interest %	Principal activities
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

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 ventures 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.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)****3 Summary of significant accounting policies (continued)****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 has no control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these 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 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

3.5 Investment property

Investment properties comprise of completed properties and properties under development. Completed properties are properties held to earn rentals and/or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)****3 Summary of significant accounting policies (continued)****3.6 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.

3.7 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.

3.8 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.

3.8.1 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 2011 (continued)****3 Summary of significant accounting policies (continued)****3.8 Financial assets (continued)****3.8.1 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.

3.8.2 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.

3.8.3 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 2011 (continued)****3 Summary of significant accounting policies (continued)****3.8 Financial assets (continued)****3.8.4 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 2011 (continued)****3 Summary of significant accounting policies (continued)****3.9 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.

3.9.1 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.

3.9.2 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 2011 (continued)

4 Investment properties	30 September 2011		31 December 2010		
	Completed properties (unaudited) AED'000	Properties under development (unaudited) AED'000	Completed properties (audited) AED'000	Properties under development (audited) AED'000	Total (audited) AED'000
Balance at the beginning of the period/year	1,009,131	665,519	983,130	257,223	1,240,353
Development costs incurred during the period/year	3,845	402,065	4,001	469,914	473,915
Transferred from development work-in-progress during the period/year	641,097	-	-	-	-
Disposal under finance lease during the period/year	-	(111,079)	-	-	-
Finance cost capitalised, net	-	29,361	-	9,709	9,709
(Decrease)/increase in fair value, net	(22,508)	-	22,000	(71,327)	(49,327)
Balance at the end of the period/year	1,631,565	985,866	1,009,131	665,519	1,674,650

All investment properties are located in the United Arab Emirates.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

5 Goodwill

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Opening balance	315,648	478,508
Impairment recognised during the period/year	(36,923)	(162,860)
	<hr/>	<hr/>
	278,725	315,648
	<hr/> <hr/>	<hr/> <hr/>

6 Investment in associates and joint ventures

The following summarises the movement in the Group's investment in associates and joint ventures during the period:

- Recognition of an amount of AED 2.73 million representing the Group's share of profits from associates.

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

7 Available-for-sale financial assets

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Investment in UAE unquoted securities:		
At cost	96,000	96,000
At fair value	38	11,043
	<hr/>	<hr/>
	96,038	107,043
	<hr/>	<hr/>
Investment in international unquoted securities:		
At cost	23,251	23,251
At fair value	1,355	1,569
	<hr/>	<hr/>
	24,606	24,820
	<hr/>	<hr/>
	120,644	131,863
	<hr/> <hr/>	<hr/> <hr/>

SOROUH REAL ESTATE PJSC
Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)

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7 Available-for-sale financial assets (continued)

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Balance at the beginning of the period/year	131,863	138,502
Additions during the period/year	-	28
Disposals during the period/year	(11,845)	(1,245)
Release of fair value on disposals during the period/year	626	68
Changes in fair value	-	(5,490)
	<hr/>	<hr/>
Balance at the end of the period/year	120,644	131,863
	<hr/> <hr/>	<hr/> <hr/>

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

The Group has reassessed the fair value of part of its AFS financial assets based on recent trading transactions.

Due to the absence of an active market for the remaining AFS financial assets or any recent transactions that could provide evidence of their current fair value, these assets are carried at cost. Management reviewed these investments for impairment based on criteria that include the extent to which carrying value exceeds market value, the duration of the market decline, management's intent and ability to hold investment up to recovery and the financial health and specific prospects for the issuer. Impairment as at 30 September 2011 amounted to AED Nil (31 December 2010: AED 17.5 million).

Management believes that the fair market value of AFS financial assets approximates their carrying value.

8 Finance lease receivable

During the period, the Group derecognised a completed property in accordance with a 30 years lease agreement entered into with a third party. Accordingly, the Group recognised a gain on disposal of AED 15.8 million and a finance lease receivable for AED 127 million.

The minimum lease payments under the finance lease amounted to AED 327.5 million and the estimated present value of the minimum lease payments amounted to AED 127 million on initial recognition.

As at 30 September 2011, the finance lease receivable amounts to AED 122 million.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

9 Trade and other receivables

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Non-current portion		
Trade receivables	180,716	478,530
Due from related parties (note 22)	5,086	3,608
Retention receivable	17,847	23,917
	<u>203,649</u>	<u>506,055</u>
Current portion		
Trade receivables	1,998,773	2,041,557
Less: allowance for doubtful debts	(190,686)	(180,377)
	<u>1,808,087</u>	<u>1,861,180</u>
Advances to contractors	338,217	517,660
Due from related parties (note 22)	296,636	318,266
Advance for acquisition of property	221,239	184,366
Retention receivable	47,388	39,338
Prepayments	34,306	18,701
Interest receivable	6,821	7,298
Accrued income	3,393	2,452
Other receivables	163,759	168,121
	<u>2,919,846</u>	<u>3,117,382</u>

10 Other financial assets and liabilities

In 2010, in connection with the Club loan obtained, the Group entered into a hedge agreement with a bank in order to hedge its exposure to movements in interest rates. Under the hedge agreement, the Group hedged 14% of the drawn Club loan as at the date of the agreement using a 3 month floating-to-fixed amortising interest rate 4 year swap (with average life of around 3 years).

11 Land held for resale

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

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

12 Development work-in-progress

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Balance at beginning of the period/year	5,273,146	3,778,406
Additions during the period/year	2,020,912	1,649,867
Transfers to investment property	(641,097)	-
Disposals during the period/year	(1,863,281)	(164,634)
Finance costs capitalised, net	60,028	22,573
	<u>4,849,708</u>	<u>5,286,212</u>
Less: Project costs written off during the period/year	(1,835)	(13,066)
Balance at the end of the period/year	<u>4,847,873</u>	<u>5,273,146</u>

All development work-in-progress relates to projects undertaken in the United Arab Emirates, except for the Egypt and Morocco projects which are still in the pre-development phase with costs amounting to AED 58.9 million and AED 18.2 million respectively as at 30 September 2011 (31 December 2010: AED 60.2 million and AED 18.2 million, respectively).

13 Financial assets at fair value through profit or loss

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Balance at the beginning of the period/year	2,458	20,497
Disposal during the period/year	-	(18,087)
Fair value gain	118	48
	<u>2,576</u>	<u>2,458</u>
Balance at the end of the period/year	<u>2,576</u>	<u>2,458</u>

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

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

14 Cash and bank balances

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Fixed deposits	896,354	1,082,301
Current account	162,997	134,272
Call account	162,232	89,755
Cash in hand	607	533
Cash and bank balances	1,222,190	1,306,861
Less:		
Short term deposits with original maturities date greater than three months	(10,051)	(7,380)
Deposits held under lien by the banks	(215,843)	(166,786)
Cash and cash equivalents	996,296	1,132,695

The interest rate on term deposits ranges between 0.25% and 1.5% per annum.

15 Share capital

Share capital comprises of AED 2,625,000,000 authorised, issued and fully paid up ordinary shares of AED 1 each.

16 Bank borrowings

	<u>30 September 2011</u>		<u>31 December 2010</u>	
	Current AED'000	Non-current AED'000	Current AED'000	Non-current AED'000
Secured – at amortised cost				
Bank loan (1)	5,864	11,728	5,864	11,728
Club loan (2)	-	2,136,132	-	1,618,389
Bank overdraft	-	-	6,679	-
	<u>5,864</u>	<u>2,147,860</u>	<u>12,543</u>	<u>1,630,117</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

16 Bank borrowings (continued)

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 at the rate of 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.

Club loan (2)

In 2010, the Group concluded a AED 2.7 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. The amount drawn as at 30 September 2011 amounted to AED 2.2 billion.

The facility bears interest at the rate of 3 months EIBOR + 4.5% per annum. The term loan is repayable over 48 months starting from September 2012, which is after 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 90.5 million. Interest expense amounting to AED 100 million has been capitalised during the period.

17 Trade and other payables

	30 September 2011 (unaudited) AED’000	31 December 2010 (audited) AED’000
Advances from customers	2,353,153	3,357,497
Provision for infrastructure construction	839,000	731,292
Accrued expenses	762,418	565,671
Retention payable	293,807	349,084
Trade payables	223,325	188,301
Gross amounts due to contracts’ customers	194,926	271,553
Dividend payable	41,549	42,123
Notes payable	39,609	39,609
Due to related parties (note 22)	32,307	60,509
Payable to minority shareholders	-	33,000
Other payables	121,992	122,918
	4,902,086	5,761,557

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

18 Finance income

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED'000	AED'000	AED'000	AED'000
Gross finance income	8,849	14,080	30,384	41,249
Amounts offset against the finance costs capitalised during the period	-	-	-	(12,045)
	8,849	14,080	30,384	29,204

19 Finance costs

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED'000	AED'000	AED'000	AED'000
Gross finance costs	52,405	36,704	119,308	98,297
Loss on termination of non-convertible Sukuk	-	20,371	-	20,371
Net foreign exchange (gain)/loss	(2)	18	1	(925)
Amounts included in the cost of qualifying assets	(42,594)	(6,023)	(99,969)	(32,006)
	9,809	51,070	19,340	85,737

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

20 Other income

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2011 (unaudited) AED'000	2010 (unaudited) AED'000	2011 (unaudited) AED'000	2010 (unaudited) AED'000
(Reversal of)/late payment income	(5,993)	3,176	(1,353)	12,906
Commission income and management fees from an associate	3,554	3,498	10,661	10,494
Gain on disposal of an associate	-	-	-	2,070
Transfer and other fees	168	778	5,945	18,342
Others	12,391	4,986	38,338	43,111
	10,120	12,438	53,591	86,923

21 Basic and diluted earnings per share

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

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

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

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:

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Due from related parties		
Due from associates and joint venture	271,279	273,764
Due from directors	600	1,800
Others	29,843	46,310
	<u>301,722</u>	<u>321,874</u>
Due to related parties		
Due to non- controlling shareholders in subsidiaries	32,207	42,920
Others	5,765	37,086
	<u>37,972</u>	<u>80,006</u>

Significant transactions with these related parties are as follows:

	9 months ended 30 September)	
	2011 (unaudited) AED'000	2010 (unaudited) AED'000
Revenue from sale of properties to directors	87,702	3,324
Advances and payments effected on behalf of associates and joint ventures	12,924	80,045
Commission income and management fees from an associate	10,661	10,494
Key management personnel remuneration	9,225	11,270

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (continued)**

23 Contingent liabilities and commitments

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Bank guarantees	331,747	226,678
Letters of credit	63,896	34,172

Bank guarantees and letter of credit are issued in the normal course of business.

Contractual capital commitments as at 30 September 2011 in respect of agreements with consultants and contractors for projects under development amounted to AED 5.3 billion (31 December 2010: AED 5.1 billion) which are all expected to be paid within four years from the reporting period.

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

	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
Not later than one year	22,000	21,000
Later than one year but not later than five years	78,500	73,000
Later than five years	361,000	380,000
	461,500	474,000

24 Segment reporting

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

Segment information about the Group's continuing operations for the period then ended is presented below:

Notes to the condensed consolidated financial statements
for the period ended 30 September 2011 (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
As at 30 September 2011 (unaudited)							
Assets	92,432	8,626,701	2,554,118	1,236,954	1,043,966	13,201	13,567,372
Liabilities	165,480	4,860,566	963,303	865,040	221,476	27,182	7,103,047
As at 31 December 2010 (audited)							
Assets	97,955	7,159,409	4,101,474	1,052,004	1,182,067	40,855	13,633,764
Liabilities	6,383	5,190,006	876,852	1,167,334	169,667	45,548	7,455,790

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 2011 (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 30 October 2011.