

Sorouh Real Estate P.J.S.C.

ADX Financial Report

For the nine months ended

September 30, 2011

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

1- Income Statement Review

Key Income Statement Caption

	Three months ended		Nine months ended	
	September 30, 2011 (unaudited) AED'000	September 30, 2010 (unaudited) AED'000	September 30, 2011 (unaudited) AED'000	September 30, 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
Gain/(loss) on financial assets at fair value through profit and loss	(33)	120	118	2,740
Realised gain on disposal of available-for-sale financial assets	-	32	4,420	513
Impairment loss on available-for-sale financial assets	-	-	-	(17,513)
Realised loss on other financial assets	-	(21,191)	-	(21,191)
Project costs written off and impaired	(184)	(229)	(1,835)	(734)
Reversal of impairment of project costs	-	9,010	-	23,726
Impairment of goodwill	(22,492)	-	(36,923)	-
Share of profit/(loss) from associates and joint ventures	3,360	(1,759)	2,728	(8,875)
Gain on disposal of investment property	-	-	15,794	-
Fair value loss on investment property	(22,508)	-	(22,508)	-
Provision for doubtful debts	(5,659)	(18,359)	(11,809)	(64,840)
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	8,849	14,080	30,384	29,204
Finance costs	(9,809)	(51,070)	(19,340)	(85,737)
Other income	10,120	12,438	53,591	86,923
Net 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)
Net profit for the period	83,587	62,914	285,176	214,772
Basic and diluted earnings per share (in AED per share)	0.03	0.02	0.09	0.08

Net Profit

Sorouh reported a consolidated net profit of AED 285 million (nine fils per share) for the nine months of the year 2011, compared to the nine months of the year in 2010 when the net profit was AED 215 million (eight fils per share).

Revenue

Revenue increased by 154% to AED 2.6 billion during the nine months of 2011 compared to the same period 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 47% during the first nine months of 2010 to 17% during the current period as a result of the change in revenue mix.

Expenses

General and administrative expenses were AED 140 million for the nine months ended 30 September 2011, compared to AED 179 million for the same period in 2010, a reduction of 22% over last year.

Selling and marketing expenses were AED 16.6 million for the first half of 2011, compared to AED 28.4 million in the same period of 2010, a reduction of 42% over last year.

The reduction in total expenses of 25% for the nine month period ended September 30, 2011 reinforces our persistence in cost control through a series of prudent and successful initiatives.

2. Balance Sheet Review

Key Balance Sheet Captions	September 30, 2011 (unaudited) AED Million	December 31, 2010 (audited) AED Million
Investment Properties	2,617	1,675
Development work in progress	4,848	5,273
Cash and Cash equivalents	1,222	1,307
Net Assets (Total Assets Less Total Liabilities)	6,464	6,178
Total Assets	13,567	13,634

Investment Properties

The increase over 31 December 2010 is mainly due to increased expenditure on our al rayyana development and the transfer of Boutik Shams, leased inventory of Sun&Sky Towers and Al Murjan Tower 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

This 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 and Boutik Al Ain, offset by cost charged to P&L for units recognised and the transfer of Boutik Shams & Al Murjan Tower to Investment Properties.

Cash and bank balances

The company's liquid funds reduced marginally from AED 1.31 billion as at 31 December 2010 to AED 1.22 billion as at 30 September 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 5% from AED 6,178 million at 31 December 2010 to AED 6,464 million at 30 September 2011 mainly due to the profit earned during the current period.

Richard Amos
Chief Financial Officer