

**Deyaar Development P.J.S.C.
and Subsidiaries**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF
DEYAAR DEVELOPMENT (P.J.S.C.)**

Report on the Financial Statements

We have audited the accompanying financial statements of Deyaar Development P.J.S.C. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the period then ended, 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 and the applicable provisions of the articles of association of Deyaar Development PJSC and the UAE Commercial Companies Law of 1984 (as amended). 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.

Auditors' Responsibility

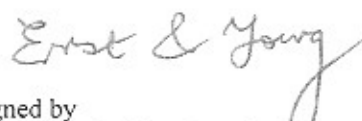
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

Opinion

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



Signed by
Edward B. Quinlan (Registration No. 93)
For Ernst & Young

Dubai, United Arab Emirates
23 January 2008

Deyaar Development P.J.S.C. and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Period ended 31 December 2007

	Notes	10 July to 31 December 2007 AED'000
Revenues	5	832,306
Cost of revenues	5	(503,794)
GROSS PROFIT		328,512
Other income	6	66,304
Selling, general and administrative expenses	7	(116,533)
Finance costs		(2,888)
Income from deposits		34,996
PROFIT BEFORE TAX		310,391
Income tax		(1,414)
PROFIT FOR THE PERIOD AFTER INCORPORATION		308,977
Pre-incorporation profit, net	8	107,395
PROFIT FOR THE PERIOD		416,372
Attributable to:		
Equity holders of the Parent		410,844
Minority interest		5,528
		416,372
Earnings per share attributable to the equity holders of the parent:		
- basic earnings per share	9	AED 0.0722
- diluted earnings per share	9	AED 0.0711

The attached notes 1 to 30 form part of these consolidated financial statements.

Deyaar Development P.J.S.C. and Subsidiaries

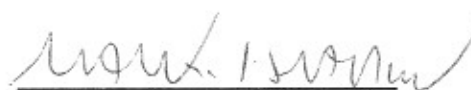
CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 AED '000
ASSETS		
Non-current assets		
Property, plant and equipment	10	26,695
Investment in an associate	11	540,235
Goodwill	12	969,145
		<u>1,536,075</u>
Current assets		
Properties under construction	13	5,140,564
Accounts and notes receivable	14	801,752
Prepayments and other assets	15	645,999
Bank balances and cash	16	1,249,607
		<u>7,837,922</u>
TOTAL ASSETS		<u><u>9,373,997</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	17	5,778,000
ESOP shares	18	(90,706)
Statutory reserve	19	41,084
Retained earnings		369,760
		<u>6,098,138</u>
Minority interest	20	9,988
Total equity		<u>6,108,126</u>
Non-current liabilities		
Employees' end of service benefits	21	4,574
Retentions payable		76,360
Islamic finance obligations – long term	22	129,226
Term finance	23	1,355
		<u>211,515</u>
Current liabilities		
Accounts payable and accruals	24	2,767,076
Islamic finance obligations – short term	22	286,470
Term finance	23	810
		<u>3,054,356</u>
Total liabilities		<u>3,265,871</u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,373,997</u></u>



H.E. Dr. Mohammad K. Kharbash
Chairman
23rd January 2008



Zack S. Shahin
Chief Executive Officer
23rd January 2008

The attached notes 1 to 30 form part of these consolidated financial statements.

Deyaar Development P.J.S.C. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Period ended 31 December 2007

	Notes	10 July to 31 December 2007 AED'000
OPERATING ACTIVITIES		
Profit before tax		310,391
Adjustments for:		
Depreciation	10	3,259
Provision for employees' end of service benefits	21	1,602
Income from deposits		(34,996)
Finance costs		2,888
Gain on disposal of a subsidiary	4	(4,242)
Gain on disposal of property, plant and equipment		(60)
		<u>278,842</u>
Working capital changes:		
Accounts and notes receivable		(471,325)
Prepayments and other assets		(129,682)
Additions to properties under construction		(2,274,858)
Cost of properties sold		416,455
Retentions payable		36,111
Accounts payable and accruals		971,859
		<u>(1,172,598)</u>
Cash used in operations		(1,172,598)
Employees' end of service benefits paid	21	(132)
Income tax		(1,414)
		<u>(1,174,144)</u>
Net cash used in operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	10	(12,672)
Proceeds from disposal of property, plant and equipment		270
Investment in an associate		(540,235)
Deposit maturing after three months		20,000
Income from deposits		34,996
Net cash inflow on transfer/acquisition of subsidiaries		24,053
		<u>(473,588)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Issue of share capital		3,178,000
Pre-incorporation profit		107,395
Islamic finance obligations received		244,770
Islamic finance obligations paid		(1,087,410)
Net movement in term finance		88
Finance costs paid		(2,888)
		<u>2,439,955</u>
Net cash from financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS		792,223
Cash and cash equivalents at 10 July	3	457,384
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	1,249,607

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

The attached notes 1 to 30 form part of these consolidated financial statements.

Deyaar Development P.J.S.C. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2007

1 ACTIVITIES

Deyaar Development PJSC (the "Company") was given approval by the UAE Ministry of Economy and Emirates Securities and Commodities Authority on 6 April 2007 to undertake an Initial Public Offering of 55% of the shares of the Company, pursuant to fulfilment of all legal requirements and necessary procedures in accordance with the laws of the UAE.

The founders of the Company contributed 45% of the Company's equity in kind (note 3). Share allotments were completed by 30 May 2007 and the Company was formally incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, UAE on 10 July 2007. The principal activities of the Company are property investment and development, brokering, managing and renting buildings and provision of related support services.

The accompanying consolidated financial statements combine the activities of the Company and the following subsidiaries and joint ventures (collectively referred to as the "Group"):

<u>Subsidiaries</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>
Omega Engineering L.L.C.	Mechanical, engineering and plumbing	U.A.E.	55%
Nationwide Realtors L.L.C. *	Brokerage and other related services	U.A.E.	100%
DIB Tower SAL	Property investment and development	Lebanon	100%
Beirut Bay SAL	Property investment and development	Lebanon	100%
Deyaar For Development SA	Representative Office of Deyaar	Lebanon	100%
Town Tower SAL	Property investment and development	Lebanon	100%
Deyaar (UK) Ltd	Representative Office of Deyaar	UK	100%
Deyaar Cayman Ltd *	Investment holding company	Cayman Islands	100%
Deyaar West Asia Cooperatief U.A.	Investment holding company	Netherlands	100%
Deyaar Development Corporation	Property investment and development	USA	100%
Deyaar Mauritius Ltd *	Property investment and development	Mauritius	100%

During the current period, the Company disposed of its 100% interest in Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Limited Sirketi (note 4).

During the period, the Company acquired 100% interest in Town Tower SAL.

* These subsidiaries did not carry out any activities during the period.

<u>Joint ventures</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>
Arady Development L.L.C.	Property development	U.A.E.	50%
Dubai International Development. Co. LLC *	Property development	U.A.E.	50%
Saudi Deyaar Real Estate Development Company Ltd *	Property investment and development	Saudi Arabia	40%
Alarko Deyaar Gayrimenkul *	Property development	Turkey	50%

Saudi Deyaar Real Estate Development Company Ltd was accounted for as a joint venture as the Group has joint control over the financial and operating policies of the entity.

* These joint ventures did not carry out any operations during the period.

1 ACTIVITIES (continued)

The address of the Company's registered office is P. O. Box 30833, Dubai, United Arab Emirates.

In accordance with the Articles of Association of the Company, the first financial period of the Company commenced on 10 July 2007, the date of its incorporation, and ends on 31 December 2008. As this is the first period of operation of the Company, no comparatives are presented in these consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of United Arab Emirates laws.

The consolidated financial statements have been presented in thousands of UAE Dirhams, which is the functional currency of the Company.

The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, each of the subsidiaries that it controls and proportionate balances of joint ventures (the Group - see note 1). Control is normally evidenced when the Company is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries and proportionate balances of joint ventures are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

IASB Standards and Interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued by the IASB in November 2007, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Group discloses information about its operating segments.

IAS 1 Presentation of Financial Statements

A revised IAS 1 *Presentation of Financial Statements* was issued on 6 September 2007 and becomes effective for the annual periods commencing on or after 1 January 2009. The application of the standard will result in amendments to the presentation of financial statements.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant impact on the amounts recognised in the consolidated financial statements.

Transfer of equitable interest in properties

The Group has entered into a number of contracts with buyers for the sale of land and apartment units. Management has determined that the equitable interest in such assets and therefore, risks and rewards of the ownership, is transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Group recognizes revenues and profits as the acts to complete the property are performed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair value for the period. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Costs to complete properties under construction

The Group estimates the cost to complete properties under construction in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by subcontractors and the cost of meeting other contractual obligations to the customers.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units.

Investments in joint ventures

The Group's interests in joint ventures, which are defined as those entities which are subject to joint control, are accounted for under the proportionate consolidation method whereby the Group accounts for its share of the assets, liabilities, income and expenses in the joint ventures on a line by line basis.

Investments in associates

Associates are those enterprises in which the Group has significant influence and which are neither subsidiaries nor joint ventures. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of an enterprise, but does not have control. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associate accounted on an equity basis, from the date that significant influence commences and until the date that significant influence ceases.

Revenue recognition

Sale of property

Revenue on sale of plots is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's initial investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Revenue on sale of residential and commercial units is recognised on the basis of percentage completion as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction is beyond a preliminary stage, i.e., commencement of design work or construction contract or site accessibility etc.
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Group being unable to fulfil its contractual obligations is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract revenues

Contract revenue represents the total value of work performed during the period including the estimated sales value of contracts in progress assessed on a percentage of completion method, measured by reference to total cost incurred to date to estimated total cost for each contract. No profit is taken until a contract has progressed to a point where its outcome can be estimated reliably. Where the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred. Provision is made for all losses expected to arise on completion of the contracts entered into at the balance sheet date, whether or not work has commenced on these contracts.

Fee and commission income

Fee and commission income is recognised when earned.

Income from deposits

Income from deposits is recognised on an accrual basis.

Services

Revenue from services is recognised in the period in which the services are rendered.

Cost of sale of property

Cost of sale of property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of residential and commercial units is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Taxation is provided in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	over 4 to 5 years
Plant and equipment	over 4 years
Motor vehicles	over 4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Properties under construction

Properties in the course of construction for sale are classified as properties under construction. Unsold properties and sold properties which have not met the revenue recognition criteria are stated at the lower of cost or net realisable value. Sold properties which have met the revenue recognition criteria are stated at cost plus attributable profit less progress billings and amounts transferred to cost of sales attributable to revenues recognised. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised. Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. Upon completion, cost in respect to unsold properties is eliminated from properties under construction and transferred to properties held for sale.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

End of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

ESOP shares

ESOP shares consist of the Company's own shares that are held by special purpose vehicles (SPVs) that have been set up especially to hold the ESOP shares for the benefit of the employees of the Company and which are to be granted to employees following the Company's Employee Stock Ownership Plan. The ESOP shares are issued shares to which the SPVs will give an eligible employee an option to purchase a certain number of ESOP shares following the terms and conditions of the Employee Stock Ownership Plan.

The SPVs were set up as part of the establishment of the Company as a public joint stock company and the founding shareholders of the Company had resolved prior to the establishment of the Company to establish the SPVs and to transfer the number of ESOP Shares to the SPVs at par value.

These shares are accounted for using the cost method. Under the cost method, the average cost of the shares is shown as a deduction from total shareholders' equity.

Share based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Under the Company's Programme, awards, which represent the right to purchase the Company's ordinary shares at par, will be allocated to eligible employees (including senior executives) of the Company.

Foreign currency translations

The consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the parent company. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than AED are translated into AED at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The differences arising on the translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that entity is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3 BUSINESS COMBINATION

Deyaar Development PJSC (under formation) took over the interest of Dubai Islamic Bank PJSC in the equity of Deyaar Development Company P.S.C. as of 30 May 2007 for a consideration of AED 2,600,000,000 to be settled by the issue of 2,600,000,000 shares of AED 1 each in the Company. In accordance with the prospectus issued at the time of initial public offering, profit earned up to the date of incorporation (10 July 2007) belonged to the shareholders of Deyaar Development Company P.S.C. This profit was included in accounts payable and accruals. The assets and liabilities of Deyaar Development Company P.S.C, at the time of takeover and on the date of incorporation are summarised below:

	<i>30 May 2007</i> <i>AED '000</i>	<i>10 July 2007</i> <i>AED '000</i>
Property, plant and equipment	14,956	17,495
Properties under construction	2,641,494	3,233,325
Accounts and notes receivable	245,267	330,427
Prepayments and other assets	382,079	524,414
Deposits maturing after three months	20,000	20,000
Bank balances and cash	564,598	457,384
Total assets	<u>3,868,394</u>	<u>4,583,045</u>
Employees' end of service benefits	2,805	3,104
Retentions payable	44,531	40,249
Term finance	1,346	2,077
Islamic finance obligations	857,038	1,382,435
Accounts payable and accruals	1,327,875	1,519,684
Minority interest	3,763	4,460
Total liabilities and minority interest	<u>2,237,358</u>	<u>2,952,009</u>
Book value of net assets acquired	1,631,036	<u>1,631,036</u>
Consideration	2,600,000	
Goodwill (note 12)	<u>968,964</u>	

3 BUSINESS COMBINATION (continued)

During the period also, the Group acquired 100% interest in Town Tower SAL, an entity based in Lebanon and engaged in property investment and development. The fair value of identifiable assets and liabilities of the entity acquired at that date was as follows:

	<i>Recognised on acquisition 2007 AED '000</i>
Bank balance	245
Prepayments and other assets	8
Properties under construction	104,393
Total assets	<u>104,646</u>
Accounts and notes payable	<u>104,584</u>
Fair value of net assets acquired	62
Purchase consideration	243
Goodwill arising on acquisition (note 12)	<u>181</u>

4 DISPOSAL OF A SUBSIDIARY

On 11 December 2007, the Company disposed of its 100% interest in Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Limited Sirketi. The revenue and share of profits during the period and net assets of the company disposed of as of that date were as follows:

	<i>AED'000</i>
Fixed assets	7
Properties under construction	88,555
Accounts receivable and prepayments	6,374
Bank balances and cash	2,346
Total assets	<u>97,282</u>
Accounts payable and accruals	<u>8,964</u>
Total liabilities	<u>8,964</u>
Net assets	88,318
Consideration	92,560
Gain arising on disposal	<u>4,242</u>

5 REVENUES AND COSTS

	<i>10 July to 31 December 2007 AED'000</i>
Revenue:	
Sale of properties	724,768
Services income	1,067
Contract revenues	106,471
	<u>832,306</u>
Cost:	
Cost of properties sold (note 13)	416,455
Cost of services	889
Contract costs	86,450
	<u>503,794</u>

Sale of property relates to the sale of land and residential, retail and commercial units in various projects in the U.A.E. and Lebanon.

6 OTHER INCOME

	<i>10 July to 31 December 2007 AED'000</i>
Management fees	6,747
Brokerage	16,401
Commission	12,763
Gain on disposal of a subsidiary	4,242
Others	26,151
	<u>66,304</u>

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>10 July to 31 December 2007 AED'000</i>
Payroll and related expenses	77,354
Sales and marketing	17,307
Rent	6,325
Legal and professional fees	2,220
Communication	961
Other expenses	12,366
	<u>116,533</u>

8 PRE-INCORPORATION PROFIT, NET

Pre-incorporation profit represents the income earned on investing the funds received from IPO subscriptions between the first day of public subscription i.e. 6 May 2007 and the date of incorporation of the Company, net of expenses related to its incorporation as follows:

	<i>AED'000</i>
Profit on deposits	105,042
IPO processing fees	63,560
Less: IPO expenses	(61,207)
	<u>107,395</u>

9 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the parent for the period of AED 410,843,985 by the weighted average number of shares outstanding during the period of 5,778,000,000 of AED 1 each less ESOP shares of 90,706,104.

For diluted earnings per share, the weighted average number of shares has been adjusted for ESOP shares to be granted after the period end.

10 PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold improvements AED'000</i>	<i>Furniture and fixtures AED'000</i>	<i>Plant and equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
Cost						
Acquired in business combination	170	4,539	6,028	3,911	2,847	17,495
Additions	61	9,158	4,295	817	(1,659)	12,672
Disposals	-	(293)	-	-	-	(293)
Transfers	-	-	(6)	-	-	(6)
At 31 December 2007	<u>231</u>	<u>13,404</u>	<u>10,317</u>	<u>4,728</u>	<u>1,188</u>	<u>29,868</u>
Depreciation						
Depreciation charge for the period	31	1,309	1,260	659	-	3,259
Relating to disposals	-	(83)	-	-	-	(83)
Transfers	-	-	(3)	-	-	(3)
At 31 December 2007	<u>31</u>	<u>1,226</u>	<u>1,257</u>	<u>659</u>	<u>-</u>	<u>3,173</u>
Net carrying value						
At 31 December 2007	<u>200</u>	<u>12,178</u>	<u>9,060</u>	<u>4,069</u>	<u>1,188</u>	<u>26,695</u>

11 INVESTMENT IN AN ASSOCIATE

During the period, the Group has acquired 22.72% of the equity of SI Al Zorah Equity Investments Inc, a company registered in the Cayman Islands. The associate is a holding company investing in companies engaged in property development. The associate did not carry out any activities during the period.

The following table illustrates summarised information of the Group's investment in the associate

	<i>2007 AED'000</i>
Share of associate's balance sheet:	
Assets	427,267
Liabilities	(30,159)
Net assets	<u>397,108</u>

Included in the carrying value of investment in an associate is a premium of AED 112,596,000. The premium is not amortised. As of the balance sheet date, the Group determined that there is no impairment loss in the Group's investment in the associate.

12 GOODWILL

	<i>2007 AED '000</i>
Goodwill recognised on:	
Business combination (note 3)	968,964
Acquisition of Town Tower SAL (note 3)	181
	<u>969,145</u>

13 PROPERTIES UNDER CONSTRUCTION

The movement in properties under construction during the period was as follows:

	<i>2007 AED'000</i>
Balance, beginning of period	3,233,325
Additions during the period	2,397,750
Borrowing costs capitalised	14,499
Carrying value of properties sold during the period (note 5)	(416,455)
Related to a subsidiary disposed of	(88,555)
Balance, end of period	<u>5,140,564</u>

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14 ACCOUNTS AND NOTES RECEIVABLE

	2007 AED'000
Accounts and notes receivable	534,963
Due from related parties (note 26)	266,789
	<u>801,752</u>

As at 31 December, the ageing analysis of receivables is as follows:

		<i>Past due but not impaired</i>				
	<i>Total</i>	<i>Neither</i>	<i>Less than</i>	<i>Between</i>	<i>Between</i>	<i>More than</i>
	<i>AED '000</i>	<i>Past Due</i>	<i>30 days</i>	<i>30 to 60 days</i>	<i>60 to 90 days</i>	<i>90days</i>
		<i>nor impaired</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
		<i>AED '000</i>				
2007	<u>801,752</u>	<u>765,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,709</u>

15 PREPAYMENTS AND OTHER ASSETS

	2007 AED'000
Advances to contractors	245,690
Advance for purchase of properties	220,303
Prepayments	56,475
Contract work in progress	47,420
Retention receivable	10,537
Accrued income on deposits	13,753
Accrued rental income	3,532
Other assets	48,289
	<u>645,999</u>

16 CASH AND CASH EQUIVALENTS

	2007 AED'000
Cash on hand	447
Current accounts	189,000
Deposit accounts maturing within three months	1,060,160
	<u>1,249,607</u>

Deposits amounting to AED 389,692,000 are placed with Dubai Islamic Bank PJSC, a major shareholder. These are denominated in UAE Dirhams, with an effective profit rate ranging from 4.43% to 5.61% per annum.

17 SHARE CAPITAL

	<i>2007</i> <i>AED'000</i>
<i>Authorised, issued and fully paid</i>	
3,178,000,000 shares of AED 1 each paid in cash	3,178,000
2,600,000,000 shares of AED 1 each paid in kind	2,600,000
	<u>5,778,000</u>

As set out in (note 3), the Company acquired the interest of Dubai Islamic Bank PJSC in Deyaar Development Company P.S.C. by the issue of 2,600,000,000 shares of AED 1 each.

18 EMPLOYEES STOCK OWNERSHIP PLAN (ESOP)

Prior to its incorporation, the Company established an Employee Stock Ownership Plan (ESOP) to recognize and retain good performing key employees. The Plan gives the employee the right to acquire the Company's shares at a value of AED1.00 per share plus expenses, subject to meeting certain vesting conditions (primarily completion of a period of minimum service). Under this arrangement, a shareholder transferred 90,706,104 of its own shares at par to two special purpose vehicles (SPVs) – which themselves are founding shareholders in the Company – and which are not owned by the Company. The SPVs hold the shares on behalf of the eligible employees.

Since the ESOP shares are issued shares, the SPVs have undertaken to the Company that all the ESOP shares are held for the benefit of eligible employees of the Company. Further, the SPVs will grant to eligible employees, options to purchase a certain number of ESOP shares following the terms and conditions of the Employee Stock Ownership Plan. Under law, the ESOP is a scheme of sale and purchase of existing shares and is not an option to subscribe for new or reissued shares in the Company. As such the SPV is entitled to receive dividends, bonus shares (scrip dividends) and to exercise rights issues of shares (if any) from the Company and for these to be proportionately paid or additionally granted to the eligible employees.

The Company plans to award options (granted by the SPV) to purchase existing shares to various employees on certain conditions including that the employees continue in the service of the Company for an agreed minimum period specified in the Plan. Should the employee leave before the completion of the full vesting period, the management of the Company has the discretion to deal with the granted options according to the Plan which includes the lapsing of the options, the continuity of the options or the limited continuity of the options.

As of 31 December 2007, the SPVs has not granted options to purchase shares in the Company to employees of the Company.

The cost of these shares is AED 1 per share and the market price as of 31 December 2007 is AED 263,954,763.

19 STATUTORY RESERVE

As required by the UAE Commercial Companies Law of 1984 (as amended) and the Company's articles of association, 10% of the profit for the year is required to be transferred to a statutory reserve until such time that the reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law.

20 MINORITY INTEREST

Minority interest represents the minority shareholders' proportionate share in the aggregate value of the net assets of the subsidiaries and the results of the subsidiaries' operations.

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21 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	<i>10 July to 31 December 2007 AED'000</i>
Balance at the beginning of the period	3,104
Provided during the period	1,602
End of service benefits paid	(132)
Balance at the end of the period	<u>4,574</u>

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

22 ISLAMIC FINANCE OBLIGATIONS

	<i>2007 AED'000</i>
Facility one	44,194
Facility two	90,990
Facility three	26,286
Facility four	129,226
Facility Five	125,000
	<u>415,696</u>
Less: non-current portion	(129,226)
Short term portion	<u>286,470</u>

The Islamic finance obligations represent Istisna's and mudaraba facilities obtained from Dubai Islamic Bank PJSC, a major shareholder, and from a local Islamic bank. The facilities are used to finance the construction of the properties under construction as follows:

- Facility one is repayable in 2008 and carries a fixed profit rate.
- Facility two is repayable in 6 months after the completion of the property involved, with an effective profit rate based on EIBOR during the construction period.
- Facility three is repayable on 30 June 2008 after the completion of the property involved, with an effective profit rate based on EIBOR during the construction period. The facility is secured by a mortgage over the land and the property under construction.
- Facility four is repayable 6 months after the completion of the property involved, with an effective profit rate based on EIBOR during the construction period.
- Facility five is repayable on 1 April 2008 and carries an effective profit rate based on EIBOR during the construction period.

23 TERM FINANCE

Term finance includes loans obtained to finance the purchase of motor vehicles and equipment. The loans are secured by mortgages over the vehicles and equipment purchased. These loans carry profit at an average rate of 4.2% and are repayable in equal monthly instalments over a period of three to four years.

24 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2007</i> <i>AED'000</i>
Accruals on purchase of properties	831,771
Accounts and notes payable	456,850
Advance from customers	517,756
Due to related parties (note 26)	727,679
Accrued Islamic facility charges	13,784
Tax payable	6,584
Other payables and accruals	212,652
	<u>2,767,076</u>

25 INVESTMENTS IN JOINT VENTURES

The Group's 50% share of assets and liabilities in the joint ventures included in the consolidated financial statements is as under:

	<i>2007</i> <i>AED'000</i>
Property, plant and equipment	122
Properties under construction	378,237
Prepayments and other receivables	152,316
Bank balances and cash	15,733
Total assets	<u>546,408</u>
Accruals and other liabilities	<u>538,667</u>
Loss for the period	<u>336</u>

26 TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, joint ventures, associates, directors and key management personnel of the Group, and companies of whom they are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the income statement are as follows:

	<i>2007</i>	
	<i>Income from deposits AED'000</i>	<i>Management fees AED'000</i>
Major shareholders	26,713	3,106
Other related parties	-	396
	<u>26,713</u>	<u>3,502</u>

26 TRANSACTIONS WITH RELATED PARTIES (continued)

Balances with related parties included in the balance sheet are as follows:

	<i>31 December 2007</i>			
	<i>Accounts receivable AED'000</i>	<i>Accounts payable AED'000</i>	<i>Fixed deposits AED'000</i>	<i>Islamic finance facilities AED'000</i>
Major shareholders	-	234,376	389,692	389,410
Joint ventures	138,766	466,729	-	-
Other related parties	128,023	26,574	-	-
	<u>266,789</u>	<u>727,679</u>	<u>389,692</u>	<u>389,410</u>

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<i>10 July to 31 December 2007 AED'000</i>
Payroll and related expenses	6,618
Employees' end of service benefits	210
	<u>6,828</u>

27 SEGMENT INFORMATION

For operating purposes the Group is organised into two major business segments: Property development activities, (which principally include property investment and development, brokering, managing and renting of buildings), and other activities (including mainly electrical and mechanical works and brokerage and related services). These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated profit rates which approximate to market rates on an arm's length basis.

	<i>Property development and related activities 10 July 2007 to 31 December 2007 AED'000</i>	<i>Other activities 10 July 2007 to 31 December 2007 AED'000</i>	<i>Total 10 July 2007 to 31 December 2007 AED'000</i>
Segment revenue	<u>724,768</u>	<u>107,538</u>	<u>832,306</u>
Segment profits	<u>297,016</u>	<u>11,961</u>	<u>308,977</u>
Pre-incorporation profit, net			<u>107,395</u>
Profit for the period			<u>416,372</u>

27 SEGMENT INFORMATION (continued)

	<i>Property development and related activities 31 December 2007 AED'000</i>	<i>Other activities 31 December 2007 AED'000</i>	<i>Total 31 December 2007 AED'000</i>
Segment assets	<u>9,247,236</u>	<u>126,761</u>	<u>9,373,997</u>
Segment liabilities	<u>3,159,837</u>	<u>106,034</u>	<u>3,265,871</u>

Although the management of the Group is based primarily on business segments, the Group operates in two geographic markets: U.A.E. which is designated as domestic and outside the U.A.E. which is designated as international. The following table shows the distribution of the Group's operating income, total assets and capital expenditure by geographical segment:

	<i>Domestic 10 July 2007 to 31 December 2007 AED'000</i>	<i>International 10 July 2007 to 31 December 2007 AED'000</i>	<i>Total 10 July 2007 to 31 December 2007 AED'000</i>
Revenues	<u>805,574</u>	<u>26,732</u>	<u>832,306</u>
	<i>Domestic 31 December 2007 AED'000</i>	<i>International 31 December 2007 AED'000</i>	<i>Total 31 December 2007 AED'000</i>
Total assets	<u>8,638,253</u>	<u>735,744</u>	<u>9,373,997</u>
Capital expenditure	<u>12,213</u>	<u>459</u>	<u>12,672</u>

28 COMMITMENTS

At 31 December 2007, the Group had commitments of AED 1,819,640,333. This represents the value of contracts issued as of the end of the period/year net of invoices received and accruals made at that date.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise Islamic finance facilities, term finance and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are profit rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Profit rate risk**

The Group's exposure to the risk of changes in market profit rates relates primarily to the Group's long-term debt obligations with floating rates and fixed deposits. Profit on financial instruments having floating rates is re-priced at intervals of less than one year and profit on financial instruments having fixed rate is fixed until the maturity of the instrument.

The following table demonstrates the sensitivity to a reasonably possible change in profit rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	2007	
	<i>Change in basis points</i>	<i>Sensitivity of net profit from deposits AED'000</i>
Currency		
AED	+ 116	1,459
AED	- 116	(1,459)

The profit rate sensitivity set out above relates primarily to the Dirham as the Group does not have any significant net exposure for non-trading financial assets and financial liabilities denominated in currencies other than the Dirham or currencies pegged to the Dirham.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk is primarily limited to its investment in foreign subsidiaries. The net assets (liabilities) of foreign subsidiaries are as follows:

<i>Currency</i>	<i>AED'000 equivalent</i>
Lebanese Lira	(1,362)
Turkish Lira	77
Kazakhstan Tenge	(287)
British Pound Sterling	(632)
Saudi Riyal	7,481
USD	3,447

Any variation in exchange rates between the currencies and AED will result in recognition of foreign currency translation reserve in equity on the opening net investment. It will also result in a change in the rate used for recording of income, expenses and profit in the consolidated financial statements of the next year.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise mainly cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (eg accounts receivables, other financial assets) and projected cash flows from operations.

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk (continued)**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group's current policy is that not more than 35% of borrowings should mature in the next 12 month period. The Group expects to be within its target maturity profile by 31 December 2008.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Financial liabilities	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Islamic finance facilities	-	148,617	161,459	137,623	-	447,699
Term finance	-	199	609	1,357	-	2,165
Other liabilities	4,574	1,948,160	602,734	292,542	-	2,848,010
Total undiscounted financial liabilities	4,574	2,096,976	764,802	431,522	-	3,297,874

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, securities, loans and advances, other receivables, investments in associates and due from related parties. Financial liabilities of the Group include customer deposits, loans from financial institutions, accounts payable and retentions payable.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

	Carrying Amount AED'000	Fair Value AED'000
Financial Assets		
Cash	1,249,607	1,249,607
Financial liabilities		
Islamic finance facilities	415,696	415,696
Term finance	2,165	2,165
Other financial liabilities	2,657,304	2,657,304

The fair value of borrowings has been calculated by discounting the expected future cash flows at profit rates approximating prevailing interest rates. The fair values of other financial assets have been calculated using market profit rates.