

**Deyaar Development PJSC
and its subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2008 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF
DEYAAR DEVELOPMENT PJSC**

Introduction

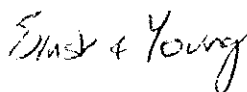
We have reviewed the accompanying interim consolidated balance sheet of Deyaar Development PJSC and its subsidiaries ("the Group") as at 30 September 2008, the related interim consolidated statement of income for the quarter then ended, the related statements of income, cash flow and changes in equity for the period from 10 July 2007 to 30 September 2008 and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Farrukh Seer
Partner
Registration No. 491

30 October 2008
Dubai, United Arab Emirates

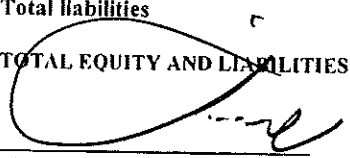
Deyaar Development PJSC and its subsidiaries
INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 September 2008 (Unaudited)

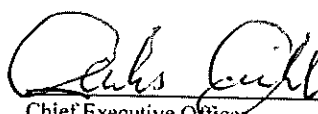
	<i>Note</i>	<i>Quarter ended 30 September 2008 AED '000</i>	<i>10 July 2007 to 30 September 2008 AED '000</i>
Revenues		1,013,110	3,128,794
Cost of revenues		(645,002)	(1,983,565)
GROSS PROFIT		368,108	1,145,229
Other operating income		23,447	196,981
Selling and administrative expenses		(73,488)	(289,667)
Finance costs		(2,328)	(17,473)
Income from deposits		6,773	55,781
Share of results of associates		(817)	(4,000)
PROFIT BEFORE TAX		321,695	1,086,851
Income tax		(9,745)	(16,995)
PROFIT FOR THE PERIOD BEFORE PRE-INCORPORATION PROFIT		311,950	1,069,856
Pre-incorporation profit, net		-	107,395
PROFIT FOR THE PERIOD		311,950	1,177,251
Attributable to:			
Equity holders of the Parent		308,638	1,166,733
Minority interest		3,312	10,518
		311,950	1,177,251
Earnings per share attributable to the equity holders of the parent:			
- basic and diluted earnings per share	3	AED 0.0534	AED 0.2019

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries
INTERIM CONSOLIDATED BALANCE SHEET
At 30 September 2008 (Unaudited)

	<i>AED '000</i>
ASSETS	
Non-current assets	
Property, plant and equipment	33,123
Investments in associates	654,019
Goodwill	968,964
	<u>1,656,106</u>
Current assets	
Properties under construction	5,019,295
Accounts and notes receivable	1,019,600
Prepayments and other assets	766,280
Advance for purchase of properties	1,072,739
Bank balances and cash	688,613
	<u>8,566,527</u>
TOTAL ASSETS	<u><u>10,222,633</u></u>
EQUITY AND LIABILITIES	
Equity attributable to the equity holders of the parent	
Share capital	5,778,000
Statutory reserve	41,084
Exchange translation reserve	2,550
Retained earnings	1,125,649
	<u>6,947,283</u>
Minority interest	14,978
Total equity	<u>6,962,261</u>
Non-current liabilities	
Employees' end of service benefits	8,451
Retentions payable	112,809
Term finance	1,563
	<u>122,823</u>
Current liabilities	
Accounts payable and accruals	2,511,146
Islamic finance obligations	571,155
Term finance	55,248
	<u>3,137,549</u>
Total liabilities	<u>3,260,372</u>
TOTAL EQUITY AND LIABILITIES	<u><u>10,222,633</u></u>


Chairman
30 October 2008


Chief Executive Officer
30 October 2008

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2008 (Unaudited)

10 July 2007 to
30 September 2008
AED '000

OPERATING ACTIVITIES

Profit before tax	1,086,851
Adjustments for:	
Depreciation	11,690
Provision for employees' end of service benefits	6,403
Income from deposits	(55,781)
Finance costs	17,473
Share of results of associates	4,000
Gain on disposal of a subsidiary	(4,463)
Gain on disposal of property, plant and equipment	(121)
	1,066,052
Working capital changes:	
Properties under construction, net	(1,758,284)
Accounts and notes receivable	(546,412)
Prepayments and other assets	(489,225)
Advance for purchase of properties	(980,198)
Retentions payable	72,560
Accounts payable and accruals	824,934
Cash used in operations	(1,810,573)
Employees' end of service benefits paid	(1,016)
Net cash used in operating activities	(1,811,589)

INVESTING ACTIVITIES

Purchase of property, plant and equipment	(28,454)
Proceeds from disposal of property, plant and equipment	574
Investment in an associate	(658,019)
Income from deposits	55,781
Net cash flow on transfer/acquisition of subsidiaries	28,946
Net cash used in investing activities	(601,172)

FINANCING ACTIVITIES

Increase in capital	3,178,000
Pre-incorporation profits	107,395
Islamic finance obligations received	660,413
Islamic finance obligations paid	(1,347,594)
Net movement in term finance	54,734
Finance costs paid	(31,508)
Net cash from financing activities	2,621,440

INCREASE IN CASH AND CASH EQUIVALENTS

Net foreign exchange difference	2,550
Cash and cash equivalents at 10 July 2007	457,384
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER 2008	668,613

Cash in hand	498
Current accounts	71,230
Deposits maturing within three months	596,885
Cash and cash equivalents	668,613
Deposit maturing after three months	20,000
BANK BALANCES AND CASH	688,613

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2008 (Unaudited)

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

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 publish the 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. 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 of buildings and provision of related support services.

The accompanying interim condensed consolidated financial statements combine the activities of the Company and its subsidiaries and joint ventures (collectively referred to as the "Group").

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. Accordingly, no comparatives are presented in these interim condensed consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and applicable requirements of the United Arab Emirates Laws. The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and the results for the period ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2008.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams, which is the functional currency of the Company.

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

Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Company and each of the subsidiaries that it controls. 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 Interpretation 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.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 Agreements for the Construction of Real Estate was issued by the IASB on 3 July 2008. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation is effective for annual periods beginning on or after 1 January 2009. Management is evaluating the impact of this interpretation on the financial statements of the Group.

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.

Classification of properties

Management decides at the time of acquisition of the property whether it should be classified as held for sale, held for development or investment property. The Group classifies acquired properties as properties under construction when the purpose is to develop the properties for the purpose of selling them to third parties.

Use of estimates

The preparation of the interim condensed 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 Group accounts for the investments in its associates using the equity method of accounting. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus the post-acquisition changes in the Group's share of net assets of the associate.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The carrying value of the investment is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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 apartments 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 fulfill its contractual obligations is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

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.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of 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; and
- (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.

Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is 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 obligation are limited to these contributions, which are expensed when due.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

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.

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 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the parent for the period by the weighted average number of shares outstanding during the period of 5,778,000,000 of AED 1 each.

The Company has not issued any instruments which would have an impact on earnings per share when exercised.

The ESOP shares previously held by the Company, which were allocated to the ESOP scheme by the founding shareholders, were returned to them during the previous quarter at their request.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

4 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 at 10 July 2007. 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:

	30 May 2007 AED'000	10 July 2007 AED'000
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	3,868,394	4,583,045
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	2,237,358	2,952,009
Book value of net assets acquired	1,631,036	1,631,036
Consideration	2,600,000	
Goodwill	968,964	

During the period, a purchase price allocation exercise was carried out by management and the fair values of the assets and liabilities of Deyaar Development Company P.S.C at the time of takeover corresponded to the book values of the assets and liabilities as of the same date.

5 DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE

During the period, the Group disposed of its interests in the following:

- DIB Tower SAL and Town Tower SAL, wholly owned subsidiaries in Lebanon. The subsidiaries assets mainly consisted of land costing AED 104,340,000 and AED 98,341,000 respectively. The sale consideration and the related cost are included in revenues and cost of revenues respectively.
- A 40% interest in a joint venture in Saudi Arabia. The disposal resulted in a loss of AED 241,000. The loss is included in selling and administrative expenses.

6 INVESTMENT IN AN ASSOCIATE

The Group owns 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. Included in the carrying value of this investment is a premium of AED 112,596,000.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

6 INVESTMENT IN AN ASSOCIATE (continued)

During the period, the Group acquired 40% of the equity of Landmark Properties LLC, of which 30% was acquired from a related party (note 9), a company registered in the UAE which is involved in real estate brokerage. Included in the carrying value of this investment is a premium of approximately AED 80,000,000.

7 SEGMENTAL INFORMATION

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

Period from 10 July 2007 to 30 September 2008:

	<i>Property development activities AED'000</i>	<i>Other activities AED'000</i>	<i>Total AED'000</i>
Segment revenues	<u>2,807,537</u>	<u>321,257</u>	<u>3,128,794</u>
Segment profit	<u>1,047,080</u>	<u>22,776</u>	<u>1,069,856</u>
Pre-incorporation profit, net			<u>107,395</u>
			<u>1,177,251</u>

At 30 September 2008

	<i>Property development activities AED'000</i>	<i>Other activities AED'000</i>	<i>Total AED'000</i>
Segment assets	<u>9,983,925</u>	<u>238,708</u>	<u>10,222,633</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 and total assets by geographical segment:

Period from 10 July 2007 to 30 September 2008:

	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Revenues	<u>2,924,171</u>	<u>204,623</u>	<u>3,128,794</u>

At 30 September 2008

	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Total assets	<u>9,622,608</u>	<u>600,025</u>	<u>10,222,633</u>

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008 (Unaudited)

8 COMMITMENTS

At 30 September 2008, the Group had commitments of AED 2,610,838,000. This represents the value of contracts issued as of 30 September 2008 net of invoices received and accruals made at that date.

9 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 for the period from 10 July 2007 to 30 September 2008 are as follows:

	<i>Revenue AED'000</i>	<i>Cost of revenue AED'000</i>	<i>Income from deposits AED'000</i>	<i>Management fees AED'000</i>
Major shareholders	200,000	-	32,560	4,236
Other related parties	-	111,128	1,127	55,641
	<u>200,000</u>	<u>111,128</u>	<u>33,687</u>	<u>59,877</u>

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

	<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	115,214	46,909	238,768	530,226
Joint ventures	365,070	421,795	-	-
Other related parties	30,750	462	100,000	-
	<u>511,034</u>	<u>469,166</u>	<u>338,768</u>	<u>530,226</u>

During the period, the Group acquired 40% of the equity of Landmark Properties LLC, of which 30% was acquired from a related party (note 6).

Compensation of key management personnel

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

	<i>Period from 10 July 2007 to 30 September 2008 AED'000</i>
Payroll and related expenses	28,903
Employees' end of service benefits	1,457
	<u>30,360</u>