

**Deyaar Development PJSC
and its subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2009 (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 condensed consolidated financial statements of Deyaar Development PJSC and its subsidiaries ("the Group") as at 30 June 2009, comprising of the interim consolidated statement of financial position as at 30 June 2009 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended, the related interim consolidated statements of changes in equity and cash flows for the six month period then ended 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

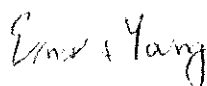
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Basis for qualified conclusion

Management has decided to delay the adoption of "IFRIC 15 Agreements for the Construction of Real Estate" to the end of the current financial year as they believe that the continued use of percentage of completion for revenue recognition will provide more meaningful information to the users of the financial statements given the expected completion of certain ongoing projects by the end of the year. This in our opinion is not in accordance with "IFRIC 15 Agreements for the Construction of Real Estate" which became effective 1 January 2009. The impact of not adopting this IFRIC is set out in note 2 to these interim condensed consolidated financial statements.

Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, 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

12 July 2009
Dubai, United Arab Emirates

Deyaar Development PJSC and its subsidiaries
INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 June 2009 (Unaudited)

	<i>Note</i>	<i>Six months ended</i>		<i>Three months ended</i>	
		<i>30 June 2009 AED '000</i>	<i>30 June 2008 AED '000</i>	<i>30 June 2009 AED '000</i>	<i>30 June 2008 AED '000</i>
Revenues		872,017	1,283,378	402,098	823,280
Cost of revenues		(757,344)	(834,769)	(365,405)	(552,279)
GROSS PROFIT		114,673	448,609	36,693	271,001
Other operating income		72,513	107,230	40,462	42,801
Selling and administrative expenses		(99,311)	(99,646)	(42,687)	(54,020)
Finance costs		(32,060)	(12,257)	(21,337)	(9,187)
Income from deposits		9,953	14,012	3,414	4,290
Gain on fair valuation of investment properties		57,500	-	57,500	-
Share of results of associates		3,040	(3,183)	1,554	(3,183)
PROFIT BEFORE TAX		126,308	454,765	75,599	251,702
Income tax		3,500	(5,836)	(267)	(4,823)
PROFIT FOR THE PERIOD		129,808	448,929	75,332	246,879
Attributable to:					
Equity holders of the Parent		129,647	447,251	76,393	245,730
Non controlling interests		161	1,678	(1,061)	1,149
		129,808	448,929	75,332	246,879
Earnings per share attributable to the equity holders of the parent:					
- basic and diluted earnings per share	3	AED 0.0224	AED 0.0774	AED0.0132	AED 0.0425

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2009 (Unaudited)

	<i>Six months ended</i>		<i>Three months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Profit for the period	129,808	448,929	75,332	246,879
Exchange differences on translation of foreign operations	(4,244)	746	5,240	1,073
Other comprehensive income (loss) for the period	(4,244)	746	5,240	1,073
Total comprehensive income for the period	125,564	449,675	80,572	247,952
Attributable to:				
Equity holders of the Parent	125,403	447,997	81,633	246,803
Non controlling interests	161	1,678	(1,061)	1,149
	125,564	449,675	80,572	247,952

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

		30 June 2009 AED '000 (Unaudited)	31 December 2008 AED '000 (Audited)
	Note		
ASSETS			
Bank balances and cash		595,621	641,194
Accounts and notes receivable		744,020	1,147,780
Prepayments and other assets		741,441	727,557
Advance for purchase of properties		1,179,442	1,126,094
Properties under construction		4,258,645	4,241,350
Investments in associates	4	659,058	656,018
Property, plant and equipment		37,621	35,298
Investment properties		1,817,761	1,729,030
Goodwill and other intangible assets		968,964	968,964
TOTAL ASSETS		11,002,573	11,273,285
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals		1,472,417	1,941,908
Advances from customers		827,182	1,090,214
Islamic finance obligations		902,649	574,921
Term finance		196,335	216,504
Retentions payable		164,838	138,318
Employees' end of service benefits		11,516	9,348
TOTAL LIABILITIES		3,574,937	3,971,213
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital		5,778,000	5,778,000
Statutory reserve		152,263	152,263
Exchange translation reserve		(5,118)	(874)
Retained earnings		1,483,358	1,353,711
		7,408,503	7,283,100
Non controlling interests		19,133	18,972
TOTAL EQUITY		7,427,636	7,302,072
TOTAL LIABILITIES AND EQUITY		11,002,573	11,273,285

Chairman
12 July 2009

Chief Executive Officer
12 July 2009

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2009 (Unaudited)

	<i>Attributable to equity holders of the parent</i>					<i>Non controlling interest AED '000</i>	<i>Total AED '000</i>
	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Exchange translation reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>		
At 1 January 2009 (audited)	5,778,000	152,263	(874)	1,353,711	7,283,100	18,972	7,302,072
Profit for the period	-	-	-	129,647	129,647	161	129,808
Other comprehensive income (loss)	-	-	(4,244)	-	(4,244)	-	(4,244)
Total comprehensive income for the period	-	-	(4,244)	129,647	125,403	161	125,564
At 30 June 2009	5,778,000	152,263	(5,118)	1,483,358	7,408,503	19,133	7,427,636

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2008 (Unaudited)

	<i>Attributable to equity holders of the parent</i>						<i>Non controlling interest AED '000</i>	<i>Total AED '000</i>
	<i>Share capital AED '000</i>	<i>ESOP shares AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Exchange translation reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total AED '000</i>		
Balance at 1 January 2008 (audited)	5,778,000	(90,706)	41,084	-	369,760	6,098,138	9,988	6,108,126
Profit for the period	-	-	-	-	447,251	447,251	1,678	448,929
Other comprehensive income (loss)	-	-	-	746	-	746	-	746
Total comprehensive income for the period	-	-	-	746	447,251	447,997	1,678	449,675
At 30 June 2008	5,778,000	(90,706)	41,084	746	817,011	6,546,135	11,666	6,557,801

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Deyaar Development PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2009 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June 2009</i>	<i>30 June 2008</i>
	<i>AED '000</i>	<i>AED '000</i>
OPERATING ACTIVITIES		
Profit before tax	126,308	454,765
Adjustments for:		
Depreciation	5,381	5,897
Provision for employees' end of service benefits	2,544	3,383
Income from deposits	(9,953)	(14,012)
Finance costs	32,060	12,257
Share of results of associates	(3,040)	3,183
Gain on fair valuation of investment properties	(57,500)	-
Loss / (gain) on disposal of property, plant and equipment	17	(61)
	<u>95,817</u>	<u>465,412</u>
Working capital changes:		
Properties under construction, net	(17,295)	204,144
Accounts and notes receivable	403,760	3,933
Prepayments and other assets	(13,884)	(219,794)
Advance for purchase of properties	(53,348)	(470,684)
Retentions payable	26,520	23,278
Advances from customers	(263,032)	523,895
Accounts payable and accruals	(465,991)	(976,724)
	<u>(287,453)</u>	<u>(446,540)</u>
Cash used in operations	(376)	(822)
Employees' end of service benefits paid		
	<u>(287,829)</u>	<u>(447,362)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,389)	(9,984)
Proceeds from disposal of property, plant and equipment	668	155
Investment properties, net	(31,231)	-
Deposits maturing after three months	20,935	(20,000)
Income from deposits	9,953	14,012
	<u>(8,064)</u>	<u>(15,817)</u>
FINANCING ACTIVITIES		
Islamic finance obligations received	327,728	398,304
Islamic finance obligations paid	-	(44,195)
Net movement in term finance	(20,169)	29,964
Finance costs paid	(32,060)	(22,195)
	<u>275,499</u>	<u>361,878</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(20,394)</u>	<u>(101,301)</u>
Net foreign exchange difference	(4,244)	1,073
Cash and cash equivalents at 1 January	620,259	1,249,607
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>595,621</u>	<u>1,149,379</u>
Cash in hand	1,128	735
Current accounts	133,349	312,372
Deposits maturing within three months	461,144	836,272
	<u>595,621</u>	<u>1,149,379</u>
Cash and cash equivalents	-	20,000
Deposit maturing after three months		
BANK BALANCES AND CASH	<u>595,621</u>	<u>1,169,379</u>

The attached notes 1 to 7 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 June 2009 (Unaudited)

1 ACTIVITIES

Deyaar Development PJSC (the "Company") was 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 address of the Company's registered office is P. O. Box 30833, Dubai, United Arab Emirates.

The accompanying interim condensed 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, electrical and plumbing	U.A.E.	55%
Nationwide Realtors L.L.C. *	Brokerage and other related services	U.A.E.	100%
Beirut Bay SAL	Property investment and development	Lebanon	100%
Deyaar For Development SA	Representative Office of Deyaar	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%
Deyaar City Mauritius Ltd *	Property investment and development	Mauritius	100%
Deyaar Malaysia Sdn Bhd *	Property investment and development	Malaysia	100%
Deyaar Waterfront City Sdn Bhd *	Property investment and development	Malaysia	100%
Flamingo Creek L.L.C.	Property investment and development	U.A.E.	100%
Deyaar Hospitality L.L.C. *	Property investment and development	U.A.E.	100%
Deyaar International L.L.C. *	Property investment and development	U.A.E.	100%
Deyaar Ventures L.L.C. *	Property investment and development	U.A.E.	100%
Deyaar Property Management L.L.C. *	Property investment and development	U.A.E.	100%
Deyaar Limited *	Property investment and development	U.A.E.	100%
Deyaar Al Emarat Holding WLL *	Property investment and development	Bahrain	100%

* 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%
Alarko Deyaar Gayrimenkul	Property development	Turkey	50%

* This joint venture did not carry out any operations during the period.

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 in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008. The results for the period ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IASB Standards and Interpretation issued and adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2008 except as noted below. The Group has adopted the new Standards and interpretations effective as of 1 January 2009, except for "IFRIC 15 Agreements for the Construction of Real Estate". Adoption of the new standards and interpretations did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of the standard did not have any effect on the financial position or performance of the Group.

IAS 1 Revised Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Improvements to IFRSs

In May 2008 the International Accounting Standard Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment

Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 7 Financial Instruments: Disclosures
IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
IAS 10 Events after the Reporting Period
IAS 19 Employee Benefits
IAS 28 Investment in Associates
IAS 23 Borrowing Costs
IAS 31 Interest in Joint Venture
IAS 34 Interim Financial Reporting
IAS 36 Impairment of Assets
IAS 38 Intangible Assets

IASB Standards and Interpretation issued but not yet adopted

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 Agreements for the Construction of Real Estate was issued in July 2008 and became effective for annual financial years beginning on or after 1 January 2009. This interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed.

The interpretation also states that a developer shall recognize revenue by reference to the stage of completion using the percentage of completion method only if the developer transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IASB Standards and Interpretation issued but not yet adopted (continued)

IFRIC 15 Agreements for the Construction of Real Estate (continued)

Management believes that there is a lack of clarity so far as the application of IFRIC 15 in certain jurisdictions is concerned. Unlike US GAAP, which permits the use of the percentage of completion basis of revenue recognition on off plan sales of real estate in all jurisdictions, subject to meeting certain conditions, IFRIC 15 only permits the continued use of the percentage of completion basis in similar circumstances in certain legal environments. The criteria required in respect of the legal environment in order to meet the test are complex. Consultations are still taking place with lawyers and the authorities to determine the extent to which the current regulatory and legal regime in all areas of the Group's operations may meet those requirements. In any event, management believes that the continued use of the percentage of completion method for revenue recognition in 2009 will provide more meaningful information to the users of the financial statements given the expected completion of certain ongoing projects by the end of the current financial year. Accordingly, management has decided to delay the adoption of "IFRIC 15 Agreements for the Construction of Real Estate" to the end of the year.

Had the completion method been adopted, the profit for the six month periods ended 30 June 2009 and 30 June 2008 would have been lower by AED 89.7 million and AED 65.1 million respectively and retained earnings at 30 June 2009, 31 December 2008, 30 June 2008 and 31 December 2007 would have been lower by AED 658 million, AED 568.2 million, AED 191.5 million and AED 127.8 million respectively. Accordingly, properties under construction at 30 June 2009 and 31 December 2008 would have been lower by AED 658 million and AED 568.2 million respectively.

3 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the parent for the period of AED 129,647 thousand (period ended 30 June 2008: AED 447,251 thousand) by the weighted average number of shares outstanding during the periods of 5,778,000,000.

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

4 INVESTMENTS IN ASSOCIATES

During the period ended 31 December 2008, the Group had acquired:

- a) 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.
- b) 40% of the equity of Landmark Properties LLC, a company registered in the UAE, which is involved in real estate brokerage.

5 SEGMENTAL INFORMATION

Operating segment:

For management purposes the Group is organised into two major operating segments: Property development activities, (which include property investment, development, brokering, managing and renting of buildings), and electrical and mechanical works.

Management monitors the operating results of its operating segments for the purpose of making decisions about performance assessment. Segment performance is evaluated based on operating profit or loss. Transactions between segments are conducted at estimated rates which approximate to market rates on an arm's length basis.

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

5 SEGMENTAL INFORMATION (continued)

	<i>Property development activities AED'000</i>	<i>Electrical and mechanical works AED'000</i>	<i>Total AED'000</i>
<i>Six months ended 30 June 2009</i>			
Segment revenues - external	<u>666,485</u>	<u>205,532</u>	<u>872,017</u>
Segment profit	<u>129,449</u>	<u>359</u>	<u>129,808</u>
<i>As at 30 June 2009</i>			
Segment assets	<u>10,675,655</u>	<u>326,918</u>	<u>11,002,573</u>
<i>Six months ended 30 June 2008</i>			
Segment revenues - external	<u>1,168,637</u>	<u>114,741</u>	<u>1,283,378</u>
Segment profit	<u>445,145</u>	<u>3,784</u>	<u>448,929</u>
<i>As at 31 December 2008</i>			
Segment assets	<u>10,971,466</u>	<u>301,819</u>	<u>11,273,285</u>

6 COMMITMENTS

At 30 June 2009, the Group had commitments of AED 1,245,027,647 (31 December 2008: AED 2,290,392,873). This represents the value of contracts issued as of 30 June 2009 net of invoices received and accruals made at that date.

7 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:

Six months ended 30 June 2009

	<i>Purchases AED'000</i>	<i>Income from deposits AED'000</i>	<i>Other operating income AED'000</i>
Major shareholders	-	4,311	13,605
Other related parties	<u>7,482</u>	<u>2,595</u>	<u>6,385</u>
	<u>7,482</u>	<u>6,906</u>	<u>19,990</u>

Deyaar Development PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

7 TRANSACTIONS WITH RELATED PARTIES (continued)

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

Six months ended 30 June 2008

	<i>Revenue AED'000</i>	<i>Purchases AED'000</i>	<i>Income from deposits AED'000</i>	<i>Other operating income AED'000</i>
Major shareholders	200,000	-	9,889	1,011
Other related parties	-	111,128	-	55,245
	<u>200,000</u>	<u>111,128</u>	<u>9,889</u>	<u>56,256</u>

Balances with related parties included in the statement of financial position are as follows:

As at 30 June 2009

	<i>Accounts receivable AED'000</i>	<i>Accounts payable AED'000</i>	<i>Fixed deposits AED'000</i>	<i>Islamic finance obligations AED'000</i>
Major shareholders	113,921	-	329,051	535,942
Joint ventures	17,029	36,612	-	-
Other related parties	1,700	165	-	-
	<u>132,650</u>	<u>36,777</u>	<u>329,051</u>	<u>535,942</u>

As at 31 December 2008

	<i>Advances AED'000</i>	<i>Accounts receivable AED'000</i>	<i>Accounts payable AED'000</i>	<i>Fixed deposits AED'000</i>	<i>Islamic finance obligations AED'000</i>
Major shareholders	-	114,316	-	186,319	533,993
Joint ventures	-	368,514	24,575	-	-
Other related parties	72,142	18,118	369,739	100,000	-
	<u>72,142</u>	<u>500,948</u>	<u>394,314</u>	<u>286,319</u>	<u>533,993</u>

Compensation of key management personnel

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

	<i>Six months ended 30 June</i>	
	<i>2009 AED'000</i>	<i>2008 AED'000</i>
Payroll and related expenses	20,910	12,747
Employees' end of service benefits	589	817
	<u>21,499</u>	<u>13,564</u>