Deyaar Development PJSC
and its subsidiaries

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

ERNST & YOUNG

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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 2010, comprising of the interim consolidated statement of financial position as at 30 June 2010, the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, the related 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. Consequently, it 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.

Emphasis of matters

Without qualifying our conclusion, we draw attention to the following:

1. Note 3 to the interim condensed consolidated financial statements which set out major sources of estimation uncertainty and refers to assumptions made by management in determining or testing the carrying amounts of certain assets. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require material adjustments to the carrying amounts of the assets affected.

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

Emphasis of matters (continued)

2. Note 5 to the interim condensed consolidated financial statements. The Group signed a Memorandum of Understanding (MOU) in December 2008 with a third party (the seller) to enter into negotiations for the execution of a sale and purchase agreement (the agreement) for acquiring the seller's interest in a building (the interest). According to the MOU, the terms of MOU will automatically terminate after a certain period or on the execution of the agreement. In accordance with the terms of the MOU, the Group paid AED 72.1 million as a refundable deposit. The Group also made additional payments of AED 113.7 million in this respect during the year ended 31 December 2009. A party that had initially financed the seller's interest had shown an outstanding murabaha balance of AED 186.3 million as receivable from the Group at 31 December 2009. The seller has filed a case against the Group during the current period asking the Group to fulfil its obligations and the Group has also filed a counterclaim against the seller for refund of the amounts paid. Management believes that the amounts paid by the Group are recoverable from the seller and any murabaha balance is also payable by the seller since a sale and purchase agreement was never signed and accordingly the terms of MOU have automatically terminated due to the passage of time. The ultimate outcome of the matter cannot be determined at this stage and accordingly no provision that may result has been made in the financial statements.

3. Note 6 to the interim condensed consolidated financial statements. Properties under construction include a project in Dubai acquired from a third party for AED 372 million. The consideration included AED 175 million being premium for the seller. Management now believes that the master developer may not complete the related infrastructure and therefore, the project may have to be abandoned. Management is of the view that the transaction has become void and therefore should be reversed. The Group has also commenced arbitration proceedings against the seller in this respect. The ultimate outcome of the matter cannot be determined at this stage and accordingly no provision that may result has been made in the financial statements.

Ernst & Young

Signed by:

Farrukh Seer
Partner
Registration No. 491

10 August 2010
Dubai, United Arab Emirates

INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 June 2010 (Unaudited)

	Note	*Six months ended* **30 June 2010 AED '000**	*Six months ended* *30 June 2009 AED '000 (Restated)*	*Three months ended* **30 June 2010 AED '000**	*Three months ended* *30 June 2009 AED '000 (Restated)*
Revenues		**275,733**	556,343	**79,728**	447,081
Cost of revenues		**(260,626)**	(526,768)	**(85,090)**	(426,023)
GROSS PROFIT / (LOSS)		**15,107**	29,575	**(5,362)**	21,058
Other operating income		**45,838**	72,513	**29,732**	40,462
Selling and administrative expenses		**(92,507)**	(99,311)	**(44,616)**	(42,687)
Provision for doubtful debts		**(35,000)**	-	**(10,000)**	-
Impairment and write offs		**(89,598)**	-	**(44,222)**	-
Finance costs		**(28,168)**	(32,060)	**(7,010)**	(21,337)
Income from deposits		**5,916**	9,953	**2,017**	3,414
(Loss) / gain on fair valuation of investment properties		**(164,083)**	57,500	**(164,083)**	57,500
Share of results of associates		**1,463**	3,040	**617**	1,554
(LOSS) / PROFIT BEFORE TAX		**(341,032)**	41,210	**(242,927)**	59,964
Income tax		**(3,020)**	(1,531)	**(33)**	(123)
(LOSS) / PROFIT FOR THE PERIOD		**(344,052)**	39,679	**(242,960)**	59,841
Attributable to:					
Equity holders of the Parent		**(343,299)**	39,518	**(242,987)**	60,902
Non controlling interests		**(753)**	161	**27**	(1,061)
		(344,052)	39,679	**(242,960)**	59,841
Earnings / (loss) per share attributable to the equity holders of the parent: - basic and diluted earnings / (loss) per share (AED)	4	**(0.0594)**	0.0068	**(0.0420)**	0.0105

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2010 (Unaudited)

	Six months ended		*Three months ended*	
	30 June 2010 AED '000	*30 June 2009 AED '000 (Restated)*	***30 June 2010 AED '000***	*30 June 2009 AED '000 (Restated)*
(Loss) / profit for the period	**(344,052)**	39,679	**(242,960)**	59,841
Exchange differences on translation of foreign operations	**(5,157)**	(4,244)	**(3,602)**	5,240
Other comprehensive (loss) / income for the period	**(5,157)**	(4,244)	**(3,602)**	5,240
Total comprehensive (loss) / income for the period	**(349,209)**	35,435	**(246,562)**	65,081
Attributable to:				
Equity holders of the parent	**(348,456)**	35,274	**(246,589)**	66,142
Non-controlling interests	**(753)**	161	**27**	(1,061)
	(349,209)	35,435	**(246,562)**	65,081

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2010 (Unaudited)

	Notes	***30 June 2010 AED '000***	*31 December 2009 AED '000 (Audited)*
ASSETS			
Bank balances and cash		**370,428**	683,867
Accounts and notes receivable		**343,941**	577,081
Prepayments and other assets	5	**521,264**	556,392
Properties held for sale		**399,282**	542,017
Properties under construction	6	**2,782,381**	2,673,692
Land held for future developments		**1,595,757**	1,611,334
Advances for purchase of land		**1,190,701**	1,222,299
Investments in associates		**589,146**	586,870
Property, plant and equipment		**30,878**	34,723
Investment properties		**1,848,735**	1,899,943
Goodwill		**968,964**	968,964
TOTAL ASSETS		**10,641,477**	11,357,182
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals		**1,283,558**	1,362,797
Advances from customers		**1,811,131**	1,944,854
Islamic finance obligations		**844,300**	955,242
Other borrowings		**149,379**	174,924
Retentions payable		**139,690**	153,944
Employees' end of service benefits		**10,949**	13,742
TOTAL LIABILITIES		**4,239,007**	4,605,503
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital		**5,778,000**	5,778,000
Statutory reserve		**155,278**	155,278
Exchange translation reserve		**(13,100)**	(7,943)
Retained earnings		**469,321**	812,620
		6,389,499	6,737,955
Non-controlling interests		**12,971**	13,724
TOTAL EQUITY		**6,402,470**	6,751,679
TOTAL LIABILITIES AND EQUITY		**10,641,477**	11,357,182

Chairman
10 August 2010

Acting Chief Executive Officer
10 August 2010

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2010 (Unaudited)

	Attributable to equity holders of the parent company						
	Share capital AED '000	*Statutory reserve AED '000*	*Exchange translation reserve AED '000*	*Retained earnings AED '000*	*Total AED '000*	*Non-controlling interests AED '000*	*Total AED '000*
At 1 January 2010 (audited)	5,778,000	155,278	(7,943)	812,620	6,737,955	13,724	6,751,679
Loss for the period ended 30 June 2010	-	-	-	(343,299)	(343,299)	(753)	(344,052)
Other comprehensive income (loss)	-	-	(5,157)	-	(5,157)	-	(5,157)
Total comprehensive loss for the period	-	-	(5,157)	(343,299)	(348,456)	(753)	(349,209)
At 30 June 2010	**5,778,000**	**155,278**	**(13,100)**	**469,321**	**6,389,499**	**12,971**	**6,402,470**

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 June 2010 (Unaudited)

	Attributable to equity holders of the parent company						
	Share capital AED '000	*Statutory reserve AED '000*	*Exchange translation reserve AED '000*	*Retained earnings AED '000*	*Total AED '000*	*Non-controlling interests AED '000*	*Total AED '000*
At 1 January 2009 (audited and restated)	5,778,000	152,263	(874)	785,482	6,714,871	18,972	6,733,843
Profit for the period ended 30 June 2009 (restated)	-	-	-	39,518	39,518	161	39,679
Other comprehensive income (loss)	-	-	(4,244)	-	(4,244)	-	(4,244)
Total comprehensive income (loss) for the period	-	-	(4,244)	39,518	35,274	161	35,435
At 30 June 2009	5,778,000	152,263	(5,118)	825,000	6,750,145	19,133	6,769,278

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2010 (Unaudited)

	Six months ended	
	30 June 2010 AED '000	*30 June 2009 AED '000 (Restated)*
OPERATING ACTIVITIES		
(Loss) / profit before tax	**(341,032)**	41,210
Adjustments for:		
Depreciation	**5,573**	5,381
Provision for employees' end of service benefits	**3,403**	2,544
Provision for doubtful debts	**35,000**	-
Impairment and write offs	**89,598**	-
Income from deposits	**(5,916)**	(9,953)
Finance costs	**18,510**	32,060
Share of results of associates	**(1,463)**	(3,040)
Loss / (gain) on fair valuation of investment properties	**164,083**	(57,500)
(Gain) / loss on disposal of property, plant and equipment	**(14,562)**	17
	(46,806)	10,719
Working capital changes:		
Properties held for sale	**142,735**	-
Properties under construction, net	**(108,689)**	(135,994)
Land held for future developments	**2,689**	(18,800)
Accounts and notes receivable	**198,140**	408,508
Prepayments and other assets	**34,674**	(13,884)
Advance for purchase of properties	**13,726**	(53,348)
Retentions payable	**(14,254)**	26,520
Advances from customers	**(133,723)**	(284,380)
Accounts payable and accruals	**(140,642)**	(226,794)
Cash used in operations	**(52,150)**	(287,453)
Employees' end of service benefits paid	**(6,196)**	(376)
Net cash used in operating activities	**(58,346)**	(287,829)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,782)**	(8,389)
Proceeds from disposal of property, plant and equipment	**14,615**	668
Investment in associates	**(813)**	-
Investment properties, net	**(112,875)**	(31,231)
Deposits maturing after three months	**(22,576)**	20,935
Income from deposits	**5,916**	9,953
Net cash used in investing activities	**(117,515)**	(8,064)
FINANCING ACTIVITIES		
Islamic finance obligations received	**75,000**	327,728
Islamic finance obligations paid	**(185,942)**	-
Net movement in other borrowings	**(25,545)**	(20,169)
Finance costs paid	**(18,510)**	(32,060)
Net cash (used in) / from financing activities	**(154,997)**	275,499

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Period ended 30 June 2010 (Unaudited)

	Six months ended	
	30 June 2010 AED '000	*30 June 2009 AED '000 (Restated)*
DECREASE IN CASH AND CASH EQUIVALENTS	**(330,858)**	(20,394)
Net foreign exchange difference	**(5,157)**	(4,244)
Cash and cash equivalents at 1 January	**578,035**	620,259
CASH AND CASH EQUIVALENTS AT 30 JUNE	**242,020**	595,621
Cash in hand	**570**	1,128
Current accounts	**213,474**	133,349
Deposits maturing within three months	**27,976**	461,144
Cash and cash equivalents	**242,020**	595,621
Deposit maturing after three months	**128,408**	-
BANK BALANCES AND CASH	**370,428**	595,621

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"):

Subsidiaries	*Principal activity*	*Country of incorporation*	*Percentage of equity* 30 June 2010	31 December 2009
Omega Engineering L.L.C.	Mechanical, electrical and plumbing	U.A.E.	**55%**	55%
Nationwide Realtors L.L.C. *	Brokerage and other related services	U.A.E.	**100%**	100%
Beirut Bay SAL	Property investment and development	Lebanon	**100%**	100%
Deyaar For Development SA	Representative Office of Deyaar	Lebanon	**100%**	100%
Deyaar (UK) Ltd	Representative Office of Deyaar	UK	**100%**	100%
Deyaar Cayman Ltd *	Investment holding company	Cayman Islands	**100%**	100%
Deyaar West Asia Cooperatief U.A.	Investment holding company	Netherlands	**100%**	100%
Deyaar Development Corporation	Property investment and development	USA	**100%**	100%
Deyaar Mauritius Ltd *	Property investment and development	Mauritius	**100%**	100%
Deyaar City Mauritius Ltd *	Property investment and development	Mauritius	**100%**	100%
Deyaar Malaysia Sdn Bhd *	Property investment and development	Malaysia	**100%**	100%
Flamingo Creek L.L.C.	Property investment and development	U.A.E.	**100%**	100%
Deyaar Hospitality L.L.C. *	Property investment and development	U.A.E.	**100%**	100%
Deyaar International L.L.C. *	Property investment and development	U.A.E.	**100%**	100%
Deyaar Ventures L.L.C. *	Property investment and development	U.A.E.	**100%**	100%
Deyaar Property Management L.L.C. *	Property investment and development	U.A.E.	**100%**	100%
Deyaar Limited *	Property investment and development	U.A.E.	**100%**	100%
Deyaar Al Emarat Holding WLL *	Property investment and development	Bahrain	**100%**	100%
Deyaar Al Tawassol LilTatweer Aleqare Co.*	Property investment and development	Saudi Arabia	**100%**	100%

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

Joint ventures	*Principal activity*	*Country of incorporation*	*Percentage of equity* 30 June 2010	31 December 2009
Arady Development L.L.C.	Property development	U.A.E.	**50%**	50%
Dubai International Development Co. LLC *	Property development	U.A.E	**50%**	50%
Alarko Deyaar Gayrimenkul	Property development	Turkey	**50%**	50%

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

2 BASIS OF PREPARATION AND 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 include all the 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 2009. The results for the period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

Significant accounting policies
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 financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

IFRS 2 Share-based payment
This standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 3 Business combinations (Revised) and IAS 27 consolidated and separate financial statements (Amended)
The Group applies the revised standards from 1 January 2010, IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no impact on the earnings per share.

IAS 39 Financial Instruments: recognition and measurement – eligible hedged items
The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group.

IFRIC 17 Distributions of non-cash assets to owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or dividends to owners. The interpretation had no effect on the financial position or performance of the Group.

3 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3 ESTIMATES AND ASSUMPTIONS (continued)

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation specialists to determine the fair values of investment properties as at 31 December 2009 and 30 June 2010. For investment properties under construction the management used a valuation technique based on a discounted cash flow model as there is a lack of comparable market data because of the nature of the property. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

The assumptions used in arriving at fair values of properties in this development are as follows:

	2010	2009
Long term vacancy rate	**10%**	10%
Long term growth in rental rates – every alternative year	**5%**	5%
Discount rate	**10%**	10%

Impairment of investments in associates
Investments in associates are tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value of the investments in associates may be impaired. Impairment is determined by assessing the recoverable amount of the associate. Where the recoverable amount of the associate is less than the carrying amount, an impairment loss is recognised.

The recoverable amount of investments is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate that is the same as the long-term average estimated inflation/GDP Growth rates for UAE Economy.

Net realisable value of inventories and advances against purchase of land
The carrying amounts of inventories (properties held for sale, properties under construction and land held for future development) and advances for purchase of land are compared with net realisable value to determine that cost does not exceed the net realisable value. The Group also estimates the cost to complete properties under construction in order to determine the cost attributable to properties being developed. These estimates include the cost of providing infrastructure and construction activities, potential claims by main contractors and subcontractors and the cost of meeting other contractual obligations to the customers.

Properties held for sale are carried at the lower of cost and net realisable value. Net realisable value takes into consideration the value that the Group can obtain by offering these properties to those customers who have committed to buy units in other developments launched by the Group.

Properties under construction are carried at the lower of cost and net realisable value. Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers.

The key assumptions used in the calculation of net realisable value of land held for future development are as follows:

- Construction will start in 2012 and beyond;
- Selling prices and cost of construction will remain at the current level; and
- Cost of financing will be 10% per annum.

3 ESTIMATES AND ASSUMPTIONS (continued)

Impairment of goodwill
Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognised.

The key assumptions used in the calculation of the value-in-use are as follows:

- Completion of existing projects under development and collection of remaining cash from customers. This is based on experience of recent past and comparison of remaining cash due from customers with prevailing market prices;
- Cash flows beyond the 3 year period are extrapolated using a 3.0% growth rate (2008: 3.0%) that is the same as the long-term average estimated inflation/GDP Growth rates for UAE Economy.
- The Group will expand its operations in other countries in the MENA region. This is based on feasibility studies prepared by independent consultants; and
- 10% Discount rate - Discount rate reflects the current market assessment of the risks specific to the unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

As a result of the test performed at 31 December 2009, management did not identify impairment for the property development unit to which goodwill of AED 968,964 thousand is allocated.

4 EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders of the parent for the period by the weighted average number of shares outstanding during the periods as shown below:

	Six months ended 30 June		*Three months ended 30 June*	
	2010	*2009*	***2010***	*2009*
(Loss)/profit for the period attributable to equity holders of the parent company (AED'000)	**(343,299)**	39,518	**(242,987)**	60,902
Weighted average number of shares outstanding during the period (in thousands)	**5,778,000**	5,778,000	**5,778,000**	5,778,000
Basic and diluted earnings / (loss) per share (AED)	**(0.0594)**	0.0068	**(0.0420)**	0.0105

The Company has not issued any instruments which would have a dilutive impact on earnings/ (loss) per share when exercised.

5 PREPAYMENTS AND OTHER ASSETS

The Group signed a Memorandum of Understanding (MOU) in December 2008 with a third party (the seller) to enter into negotiations for the execution of a sale and purchase agreement (the agreement) for acquiring the seller's interest in a building (the interest). According to the MOU, the terms of MOU will automatically terminate after a certain period or on the execution of the agreement. In accordance with the terms of the MOU, the Group paid AED 72.1 million as a refundable deposit. The Group also made additional payments of AED 113.7 million in this respect during the year ended 31 December 2009. Thus, a total balance of AED 185.8 million is included in prepayments and other assets. The seller has filed a case against the Group during the current period asking the Group to fulfil its obligations and the Group has also filed a counterclaim against the seller for refund of the amounts paid. Management believes that the amounts paid by the Group are recoverable from the seller since a sale and purchase agreement was never signed and accordingly the terms of MOU have automatically terminated due to the passage of time. Accordingly no provision has been made in these financial statements.

6 PROPERTIES UNDER CONSTRUCTION

Properties under construction include a project in Dubai acquired from a third party for AED 372 million. The consideration included AED 175 million being premium for the seller. Management now believes that the master developer may not complete the related infrastructure and therefore, the project may have to be abandoned. Management is of the view that the transaction has become void and therefore should be reversed. The Group has also commenced arbitration proceedings against the seller in this respect. Accordingly no provision has been made in these financial statements.

7 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.

	Property development activities AED'000	***Electrical and mechanical works AED'000***	***Total AED'000***
Six months ended 30 June 2010			
Segment revenues - external	**147,283**	**128,450**	**275,733**
Segment profit / (loss)	**(342,418)**	**(1,634)**	**(344,052)**
As at 30 June 2010			
Segment assets	**10,373,553**	**267,924**	**10,641,477**
Six months ended 30 June 2009			
Segment revenues – external (restated)	350,811	205,532	556,343
Segment profit (restated)	39,320	359	39,679
As at 31 December 2009			
Segment assets	11,059,236	297,946	11,357,182

7 SEGMENTAL INFORMATION (continued)

Geographic information

Revenue earned from properties outside the United Arab Emirates amounts to AED 56,278,000 (Six months ended 30 June 2009: AED Nil). Total assets located outside the United Arab Emirates amount to AED 374,923,000 (31 December 2009: AED 460,173,000).

8 CONTINGENCIES AND COMMITMENTS

Contingencies

At 30 June 2010, the Group had contingent liabilities in respect of performance and other guarantees issued by bank on behalf of the one of the subsidiaries in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 83,751,776 (31 December 2009: AED 92,961,400).

At June 30 2010, the Group has issued a guarantee of AED 833,104,000 (31 December 2009: 833,104,000) against the Mudarabah facility.

Commitments

At 30 June 2010, the Group had commitments of AED 654,305,000 (31 December 2009: AED 789,768,000) with respect to project related contracts issued as of the end of the year/period net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 419,639,000 (31 December 2009: AED 514,973,000).

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 interim consolidated income statement are as follows:

Six months ended 30 June 2010

	Purchases AED'000	***Income from deposits AED'000***	***Other operating income AED'000***
Major shareholders	**-**	**1,835**	**200**
Other related parties	**6,653**	**-**	**-**
	6,653	**1,835**	**200**

Six months ended 30 June 2009

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

9 TRANSACTIONS WITH RELATED PARTIES (continued)

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

As at 30 June 2010

	Accounts receivable AED'000	***Accounts payable AED'000***	***Fixed deposits AED'000***	***Islamic finance obligations AED'000***
Major shareholders	**-**	**1,143**	**47,463**	**389,300**
Joint ventures	**12,572**	**12,152**	**-**	**-**
Other related parties	**17,087**	**333**	**-**	**-**
	29,659	**13,628**	**47,463**	**389,300**

As at 31 December 2009

	Accounts receivable AED'000	*Accounts payable AED'000*	*Fixed deposits AED'000*	*Islamic finance facilities AED'000*
Major shareholders	-	1,113	254,764	500,242
Joint ventures	17,403	13,401	-	-
Other related parties	23,706	1,828	-	-
	41,109	16,342	254,764	500,242

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

	30 June 2010 AED'000	*30 June 2009 AED'000*
Payroll and related expenses	**15,443**	20,910
Employees' end of service benefits	**448**	589
Directors' fees	**1,350**	-
	17,241	21,499

10 CHANGES IN ACCOUNTING POLICY

During the year ended 31 December 2009, the Group changed its accounting policy in respect of accounting for revenue from sale of residential and commercial units by adopting IFRIC 15 "Agreement for the Construction of Real Estate".

As a result, the carrying value of the properties under construction recognized as of 30 June 2009 is adjusted at that date with changes in values recognized in income statement.

Restatements of the Group's change in revenues and costs on sale of properties for the three month and six month periods ended 30 June 2009 is as follows:

	Balance as previously reported AED'000	***Adjustments AED'000***	***Balance at 30 June Restated AED'000***
Three month period from 1 April 2009 to 30 June 2009:			
Sale of properties	402,098	44,983	447,081
Cost of properties sold	(365,405)	(60,618)	(426,023)
Tax on sale of properties	(267)	144	(123)
Profit for the period	75,332	(15,491)	59,841
Six month period from 1 January 2009 to 30 June 2009:			
Sale of properties	872,017	(315,674)	556,343
Cost of properties sold	(757,344)	230,576	(526,768)
Tax on sale of properties	3,500	(5,031)	(1,531)
Profit for the period	129,808	(90,129)	39,679