

( )



( )

(% )  
( )

( )

( " " " " ) . . .

%

( )

/



TAIB Bank B.S.C.[c]

دولة قطر سلطنة عمان دولة البحرين







	( )		( )
( )	.	.	
			:
		/	/
			/
			/
			/
			/
			/
			/

		( )	:
			:
		/	/
			/
			/
			/

||       ||       ||       ||       ||       ||       ||       ||

111

11

II                      III                      III

)

(

( )

$$\vdots$$

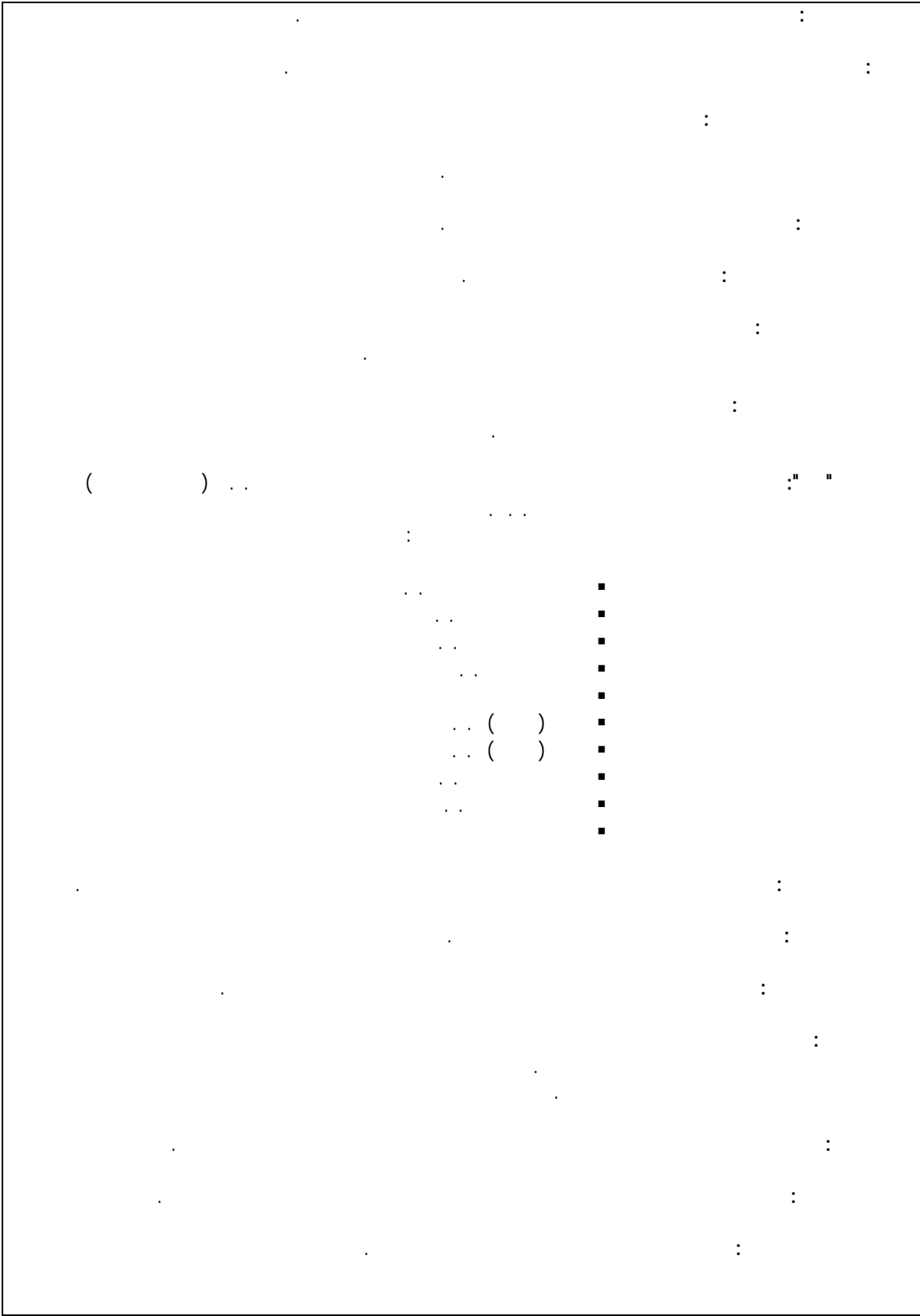
+ ( )

-

$$\vdots$$

[illegible]

;









( )

:

( )

( )

( )

:



/

/  
/  
/  
/  
/  
/  
/  
/

:

( ) "Ernst & Young"

			( )
/	/	/	
/	/	/	
/	/	/	
/	/	/	

$$\vdots$$

- ■ ■ ■ ■ ■ ■

:

.

- 
- 
- 
- 
- 
- 

%

.

.

..

.

.

‘

‘

‘

.

(Dematerialized)



( )  
 (% )  
 %  
 %  
 :  
 :  
 :

·  
:

( )

---

---

) ( )

.( ) (





/

)

.(

.( )

(     )     (     )  
 (     )

- 
- 
- 
- 
-





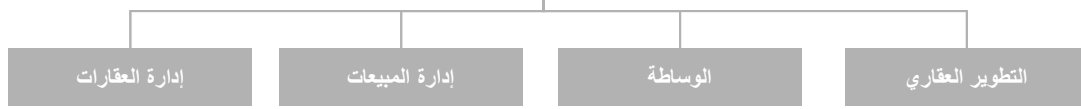
( ) -

( " )

( ) ..

:

:



:

%

( )



“ ”

%

:

		( )					
--	--	-----	--	--	--	--	--

%

-

:

:

		) (					
--	--	-----	--	--	--	--	--

:







：  
■  
■  
■  
■

%

%

■

■

：

, % - ,

.  
 .  
 .

(Non-Master Developer)

.

:

---

%

% , %

%

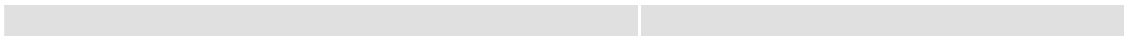
%  
%

%. -

" "

( )

:



/

/

/

/

:

:

:

( )

( )

( )

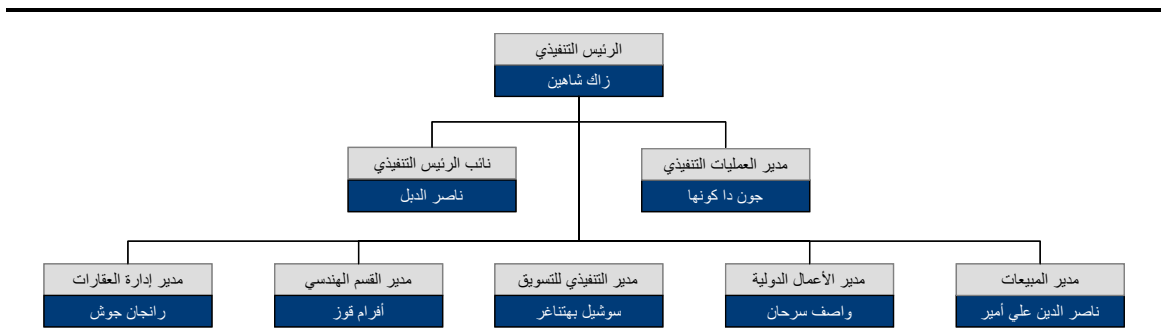
:

■

■

( )

:



.%

:

:

--	--	--	--

	%	..	
	%		( )
	%		( )
	%	.	
	%	..	
	%		
	%	..	
	%	..	

	%	..	
	%	..	

;

..

..

( )

( )

( )

.

.

..

..







• •

(Ernst &amp; Young)

			( )
/	/	/	
/	/	/	
/	/	/	
/	/	/	

			( )
/	/	/	-
/	/	-	-
/	/	/	

% , ( ) % , ( )

( % , )

( )

% ,

% ,

% ,

% ,

( % , )

( % , )

)

% ,

( % , )

( % , )

( % , )

				:
			( )	
'	'	'		
'	'	'		
'	'	'		
'	'	'		
'	'	'		
'	'	'		
'	'	'		



( , )  
 . ( , )  
 ( , )  
 .  
 %  
 .

%

" " . . .

"Ernst & Young"

. .

. . .

.

‘ ‘ ‘

‘ ‘ ‘

( )

( )

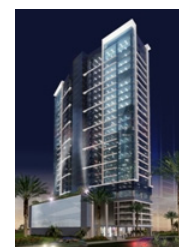
( )

( )





( )



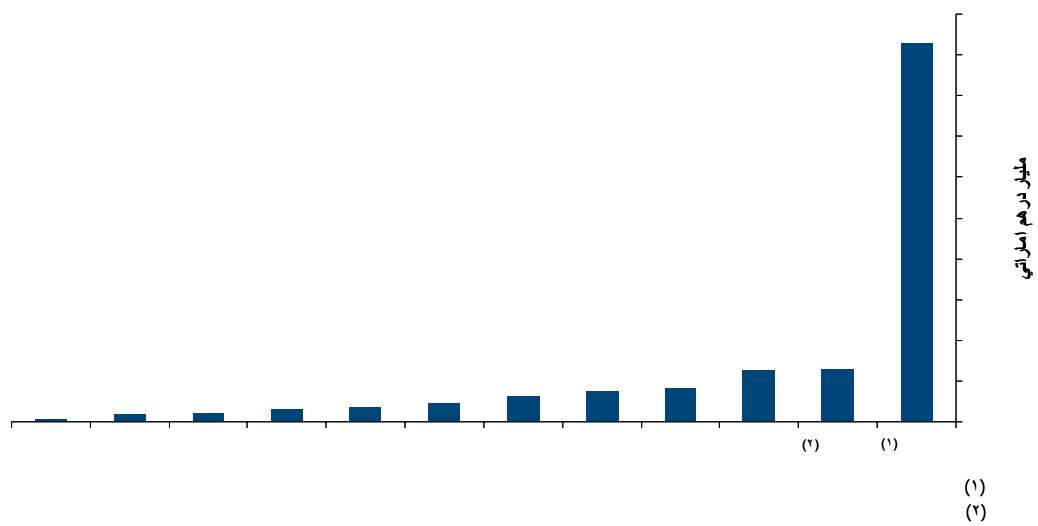
( )



%

.( , )

:



( )

:

( )

( ) :

( )

( )

											:
											( )
%	%	%,	%,	%,	%,	%,	%,	%,	%,	%,	
											:

%

%

( ) ( )

:

.%

:

%

/

%

%

% ,

---

% -

%

% ,

% ,

%

%

%

%

% , -

.% -

%

%

•  
%

%

% /

%

% ,







% ,

.% ,

"

( )"

.( ) ( ) ( )

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DEYAAR DEVELOPMENT COMPANY (P.S.C.)**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Deyaar Development Company (P.S.C.) and Subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and applicable provisions of the Article of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

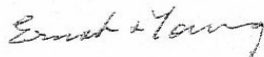
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of 31 December 2006 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**~~Report on Other Legal and Regulatory Requirements~~**

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of Deyaar Development Company (P.S.C.); proper books of account have been kept by Deyaar Development Company (P.S.C.); and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of Deyaar Development Company (P.S.C.) have occurred during the year which would have had a material effect on the business of Deyaar Development Company (P.S.C.) or on its financial position.



Signed by  
Naushad Anwar (Registration No. 489)  
For Ernst & Young

5 February 2007  
Dubai, United Arab Emirates

# **Deyaar Development Company (P.S.C.) and Subsidiaries**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2006**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DEYAAR DEVELOPMENT COMPANY (P.S.C.)**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Deyaar Development Company (P.S.C.) and Subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and applicable provisions of the Article of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of 31 December 2006 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of Deyaar Development Company (P.S.C.); proper books of account have been kept by Deyaar Development Company (P.S.C.); and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of Deyaar Development Company (P.S.C.) have occurred during the year which would have had a material effect on the business of Deyaar Development Company (P.S.C.) or on its financial position.

5 February 2007  
Dubai

# Deyaar Development Company (P.S.C.) and Subsidiaries

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	<i>2006 AED</i>	<i>2005 AED</i>
Revenues	3	1,056,962,544	455,443,598
Cost of revenues	3	(629,874,379)	(323,414,353)
<b>GROSS PROFIT</b>		<b>427,088,165</b>	132,029,245
Other income	4	54,823,335	36,161,152
Selling and administrative expenses	5	(83,118,777)	(36,955,650)
Income from deposits		16,870,982	11,521,037
<b>PROFIT BEFORE TAX</b>		<b>415,663,705</b>	142,755,784
Income tax expense	6	(3,052,636)	(1,844,042)
<b>PROFIT FOR THE YEAR</b>		<b>412,611,069</b>	140,911,742
Attributable to:			
Equity holders of the parent		412,172,784	140,847,136
Minority interest		438,285	64,606
		<b>412,611,069</b>	140,911,742

The attached notes 1 to 27 form part of these consolidated financial statements.



# Deyaar Development Company (P.S.C.) and Subsidiaries

## CONSOLIDATED BALANCE SHEET

At 31 December 2006

	<i>Notes</i>	<i>2006 AED</i>	<i>2005 AED</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	12,032,750	7,237,239
Retentions receivable		-	928,739
		<u>12,032,750</u>	<u>8,165,978</u>
<b>Current assets</b>			
Properties under construction	8	2,159,771,076	536,687,917
Accounts and notes receivable		261,567,231	22,621,979
Prepayments and other assets	11	211,231,486	82,789,187
Bank balances and cash	12	389,545,796	349,876,319
		<u>3,022,115,589</u>	<u>991,975,402</u>
<b>TOTAL ASSETS</b>		<u><u>3,034,148,339</u></u>	<u><u>1,000,141,380</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	1,000,000,000	500,000,000
Statutory reserve	14	63,248,338	21,886,309
Retained earnings		7,787,533	196,976,778
Proposed scrip dividends	15	560,000,000	-
		<u>1,631,035,871</u>	<u>718,863,087</u>
Minority interest	16	5,264,371	1,536,163
<b>Total equity</b>		<u><u>1,636,300,242</u></u>	<u><u>720,399,250</u></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	17	4,400,617	2,611,910
Retentions payable		35,467,245	14,784,450
Islamic finance obligations	18	235,333,362	179,788,427
Term loans	19	704,479	155,257
		<u>275,905,703</u>	<u>197,340,044</u>
<b>Current liabilities</b>			
Accounts payable and accruals	20	1,121,605,443	82,329,106
Term loans	19	336,951	72,980
		<u>1,121,942,394</u>	<u>82,402,086</u>
<b>Total liabilities</b>		<u><u>1,397,848,097</u></u>	<u><u>279,742,130</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,034,148,339</u></u>	<u><u>1,000,141,380</u></u>

The financial statements were authorised for issue in accordance with a resolution of the directors on 5 February 2007.

Chairman

Chief Executive Officer

The attached notes 1 to 27 form part of these consolidated financial statements.

# Deyaar Development Company (P.S.C.) and Subsidiaries

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	<i>Note</i>	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>415,663,705</b>	142,755,784
Adjustments for:			
Depreciation		<b>3,191,838</b>	1,292,212
Provision for employees' end of service benefits		<b>2,155,796</b>	554,119
Income from deposits		<b>(16,870,982)</b>	(11,521,037)
Write-off of goodwill		-	401,431
(Gain) loss on disposal of property, plant and equipment		<b>(4,562)</b>	13,226
Operating profit before working capital changes:		<b>404,135,795</b>	133,495,735
Accounts and notes receivables		<b>(238,945,252)</b>	(22,621,979)
Prepayments and other assets		<b>(128,442,299)</b>	(5,341,115)
Additions to properties under construction		<b>(2,188,599,909)</b>	(489,653,898)
Cost of properties sold		<b>565,516,750</b>	311,132,725
Retentions receivable		<b>928,739</b>	(928,739)
Retentions payable		<b>20,682,795</b>	(1,788,178)
Accounts payable and accruals		<b>1,039,276,337</b>	14,584,007
Employees' end of service benefits paid		<b>(367,089)</b>	(183,131)
Income tax paid		<b>(3,052,636)</b>	(1,844,042)
Net cash used in operating activities		<b>(528,866,769)</b>	(63,148,615)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(8,414,899)</b>	(5,547,466)
Proceeds from disposal of property, plant and equipment		<b>432,112</b>	-
Deposit maturing after three months		<b>22,300,000</b>	(22,300,000)
Income from deposits		<b>16,870,982</b>	11,521,037
Net cash inflow on acquisition of subsidiaries		-	1,279,849
Net cash from (used in) investing activities		<b>31,188,195</b>	(15,046,580)
<b>FINANCING ACTIVITIES</b>			
Increase in share capital		<b>500,000,000</b>	-
Islamic finance obligations received		<b>143,331,177</b>	145,398,584
Islamic finance obligations paid		<b>(87,786,242)</b>	(28,378,737)
Term loans		<b>813,193</b>	(44,637)
Net increase in minority capital in a subsidiary		<b>3,289,923</b>	-
Net cash from financing activities		<b>559,648,051</b>	116,975,210
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>61,969,477</b>	38,780,015
Cash and cash equivalents at 1 January		<b>292,576,319</b>	253,796,304
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	12	<b>354,545,796</b>	292,576,319

The attached notes 1 to 27 form part of these consolidated financial statements.

Deyaar Development Company (P.S.C.) and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

		<i>Attributable to equity holders of the parent</i>						
	<i>Share capital AED</i>	<i>Proposed increase in capital AED</i>	<i>Statutory reserve AED</i>	<i>Retained earnings AED</i>	<i>Proposed scrip dividends AED</i>	<i>Total AED</i>	<i>Minority interest AED</i>	<i>Total AED</i>
Balance at 1 January 2005	20,000,000	480,000,000	7,801,595	70,214,356	-	578,015,951	-	578,015,951
Increase in capital	480,000,000	(480,000,000)	-	-	-	-	-	-
Profit for the year	-	-	-	140,847,136	-	140,847,136	64,606	140,911,742
Transfer to statutory reserve	-	-	14,084,714	(14,084,714)	-	-	-	-
Arising on acquisition of subsidiary	-	-	-	-	-	-	1,471,557	1,471,557
Balance at 31 December 2005	500,000,000	-	21,886,309	196,976,778	-	718,863,087	1,536,163	720,399,250
Increase in capital	500,000,000	-	-	-	-	500,000,000	-	500,000,000
Increase in minority interest	-	-	-	-	-	-	3,289,923	3,289,923
Profit for the year	-	-	-	412,172,784	-	412,172,784	438,285	412,611,069
Transfer to statutory reserve	-	-	41,362,029	(41,362,029)	-	-	-	-
Proposed scrip dividends (note 15)	-	-	-	(560,000,000)	560,000,000	-	-	-
<b>Balance at 31 December 2006</b>	<b>1,000,000,000</b>	<b>-</b>	<b>63,248,338</b>	<b>7,787,533</b>	<b>560,000,000</b>	<b>1,631,035,871</b>	<b>5,264,371</b>	<b>1,636,300,242</b>

The attached notes 1 to 27 form part of these consolidated financial statements.

# Deyaar Development Company (P.S.C.) and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

### 1 ACTIVITIES

Deyaar Development Company (P.S.C.) was established as a Private Shareholding Company in the Emirate of Dubai, UAE on 6 January 2001 and commenced operations on 1 June 2003. The principal activities of the Company are property investment and development, brokering, managing and renting of buildings and provision of related support services. The Company is a wholly owned subsidiary of Dubai Islamic Bank PJSC.

The accompanying consolidated financial statements combine the activities of the Company and the following subsidiaries and joint ventures:

<u>Subsidiaries</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>	
			2006	2005
DIB Tower SAL	Property investment and development	Lebanon	100%	100%
Al Tanmyah Services L.L.C.	Cleaning, security and labour services	U.A.E.	100%	100%
Omega Engineering L.L.C.	Mechanical, engineering and plumbing	U.A.E.	55%	55%
Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Limited Sirketi	Property Development	Turkey	100%	-
Beirut Bay SAL	Property Development	Lebanon	100%	-
Deyaar (UK) Ltd *	Representative Office of Deyaar	UK	100%	-
Deyaar Cayman Ltd *	Investment holding company	Cayman Islands	100%	-

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

<u>Joint ventures</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Percentage of equity</u>	
			2006	2005
Arady Development L.L.C.	Property development	U.A.E.	50%	50%
Dubai International Development. Co. LLC *	Property development	U.A.E.	50%	50%

\* This joint venture did not carry out any operations during the current and the previous years.

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

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

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

The consolidated financial statements have been presented in United Arab Emirates Dirhams.

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

#### Changes in accounting policies

The accounting policies are consistent with those used in the previous year.

#### IASB Standards and Interpretations issued but not adopted

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

#### Amendments to IAS 1 – Capital Disclosures

Amendments to IAS 1 *Presentation of Financial Statements* were issued by the IASB as *Capital Disclosures* in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the Group's objectives, policies and processes for managing capital.

# Deyaar Development Company (P.S.C.) and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

### 2 SIGNIFICANT ACCOUNTING POLICIES - continued

#### IASB Standards and Interpretations issued but not adopted - continued

##### *IFRS 7 Financial Instruments: Disclosures*

IFRS 7 *Financial Instruments: Disclosures* was issued by the IASB in August 2005, becoming effective for periods beginning on or after 1 January 2007. The new standard will require additional disclosure of the significance of financial instruments for the Group's financial position and performance and information about exposure to risks arising from financial instruments.

##### *IFRS 8 Operating Segments*

IFRS 8 *Operating Segments* was issued by the IASB in November 2006, 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.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and each of the subsidiaries that it controls (the Group - see note 1). Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries 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.

#### **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.

#### **Use of estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair value for the year. 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.

# Deyaar Development Company (P.S.C.) and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

### 2 SIGNIFICANT ACCOUNTING POLICIES - continued

#### **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.

#### **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 recognized on the basis of percentage completion as and when all of the following conditions are met:

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

##### *Contract revenues*

Contract revenue represents the total value of work performed during the year 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 recognized in the period in which the services are rendered.

#### **Cost of sale of property**

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

# Deyaar Development Company (P.S.C.) and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

### 2 SIGNIFICANT ACCOUNTING POLICIES - continued

#### **Taxation**

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

Deferred income taxation 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 for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**2 SIGNIFICANT ACCOUNTING POLICIES - continued**

**Properties under construction**

Properties under construction are stated at cost plus attributable profit / (loss) less progress billings. 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, unsold properties, if any are transferred to properties held for sale.

**Properties held for sale**

Properties acquired or constructed with the intention of sale are classified as properties held for sale when construction is completed. Properties held for sale are stated at cost or at net realisable value, whichever is lower. 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 the activities that are necessary to get the assets ready for the intended use are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

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.

The cost of land and costs incurred in the course of development relating to properties sold during the year are transferred to cost of revenues.

**Impairment and uncollectibility of financial assets**

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

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

**Accounts receivable**

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

**Cash and cash equivalents**

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

**Accounts payable and accruals**

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

**Provisions**

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

**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' 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.

**Foreign currency**

Transactions in foreign currencies are recorded 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 the consolidated income statement.



## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 3 REVENUES AND COSTS

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
<b>Revenue:</b>		
Sale of properties	978,226,756	441,248,712
Services income	30,766,883	12,544,167
Contract revenues	47,968,905	1,650,719
	<u>1,056,962,544</u>	<u>455,443,598</u>
<b>Costs:</b>		
Cost of properties sold (note 8)	565,516,750	311,132,725
Cost of services	26,656,316	11,096,647
Contract costs	37,701,313	1,184,981
	<u>629,874,379</u>	<u>323,414,353</u>

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

#### 4 OTHER INCOME

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Management fees	11,656,772	9,855,027
Brokerage	21,928,867	12,666,066
Commission	6,580,286	3,596,967
Others	14,657,410	10,043,092
	<u>54,823,335</u>	<u>36,161,152</u>

#### 5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Payroll and related expenses	52,257,087	23,045,091
Sales and marketing	12,319,117	3,453,600
Write-off of goodwill (note 9)	-	401,431
Rent	3,967,615	1,598,436
Legal and professional fees	2,211,735	920,904
Depreciation	3,191,838	1,292,212
Communication	1,763,153	398,653
Other expenses	7,408,232	5,845,323
	<u>83,118,777</u>	<u>36,955,650</u>

# Deyaar Development Company (P.S.C.) and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

### 6 INCOME TAX

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
<b>Current income tax:</b>		
Current income tax charge	<b>3,052,636</b>	1,844,042
<b>Income tax expense reported in the income statement</b>	<b>3,052,636</b>	1,844,042

### 7 PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold Improvements AED</i>	<i>Furniture and fixtures AED</i>	<i>Plant and equipment AED</i>	<i>Motor vehicles AED</i>	<i>Capital work in progress AED</i>	<i>Total AED</i>
Cost						
At 1 January 2006	-	3,775,565	2,947,003	1,811,406	572,925	9,106,899
Additions	132,455	3,153,824	3,467,477	1,428,000	233,143	8,414,899
Disposals	-	(14,595)	-	(127,000)	(356,112)	(497,707)
Transfers	43,500	(6,789)	6,789	-	(43,500)	-
At 31 December 2006	<b>175,955</b>	<b>6,908,005</b>	<b>6,421,269</b>	<b>3,112,406</b>	<b>406,456</b>	<b>17,024,091</b>
Depreciation						
At 1 January 2006	-	902,134	704,737	262,789	-	1,869,660
Depreciation charge for the year	32,217	1,281,993	1,226,058	651,570	-	3,191,838
Relating to disposals	-	(14,595)	-	(55,562)	-	(70,157)
Transfers	-	(1,706)	1,706	-	-	-
At 31 December 2006	<b>32,217</b>	<b>2,167,826</b>	<b>1,932,501</b>	<b>858,797</b>	<b>-</b>	<b>4,991,341</b>
Net carrying value						
<b>At 31 December 2006</b>	<b>143,738</b>	<b>4,740,179</b>	<b>4,488,768</b>	<b>2,253,609</b>	<b>406,456</b>	<b>12,032,750</b>
At 31 December 2005	-	2,873,431	2,242,266	1,548,617	572,925	7,237,239

Capital work in progress represents the cost of software which was under implementation as of 31 December 2006.

### 8 PROPERTIES UNDER CONSTRUCTION

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

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Balance, beginning of year	<b>536,687,917</b>	358,166,744
Additions during the year	<b>2,188,599,909</b>	489,653,898
Carrying value of properties sold during the year (note 3)	<b>(565,516,750)</b>	(311,132,725)
Balance, end of year	<b>2,159,771,076</b>	536,687,917

## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 9 BUSINESS COMBINATION

During 2005, the Group acquired 55% interest in Omega Engineering L.L.C. and 100% of the equity of Al Tanmyah Services LLC. Both the companies are based in Dubai, U.A.E. and engaged in mechanical, electrical and plumbing works and providing cleaning and security services respectively. The fair value of identifiable assets and liabilities of the companies acquired at that date were as follows:

	<i>Recognised on acquisition 2005 AED</i>
Cash and bank balances	3,974,125
Accounts receivable and prepayments	5,825,941
Property, plant and equipment, net	645,407
Total assets	<u>10,445,473</u>
Accounts and notes payable	1,541,949
Accrued expenses	2,774,334
Term loan	272,874
Employees' end of service benefits	2,091,914
Total liabilities	<u>6,681,071</u>
Fair value of net assets – 100%	<u>3,764,402</u>
Share of net assets acquired	2,292,845
Purchase consideration	2,694,276
Goodwill arising on acquisition	<u>401,431</u>

#### 10 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combination was allocated to Omega Engineering L.L.C. as a cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management. The key assumptions of the value in use calculations are those regarding growth rates and expected changes to selling prices and direct costs during the period. The growth rates are based on management estimates having regard to industry growth rates. Changes in income and direct costs are based on past practices and expectations of future changes in the market.

For the year ended 31 December 2005, in respect of Omega Engineering L.L.C., circumstances indicated that the goodwill is impaired and accordingly, it was written down to nil value.

# Deyaar Development Company (P.S.C.) and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

### 11 PREPAYMENTS AND OTHER ASSETS

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Advances to contractors	144,823,890	69,470,351
Prepayments	19,651,209	5,183,262
Due from related parties (note 22)	9,238,546	2,569,254
Retention receivable	5,033,437	-
Accrued income on deposits	3,062,754	2,651,671
Accrued rental income	1,113,526	-
Other assets	28,308,124	2,914,649
	<u>211,231,486</u>	<u>82,789,187</u>

### 12 BANK BALANCES AND CASH

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Cash on hand	380,645	59,947
Current accounts	147,923,085	72,516,372
Deposit accounts maturing within three months	206,242,066	220,000,000
Cash and cash equivalents	354,545,796	292,576,319
Deposit accounts maturing after three months	35,000,000	57,300,000
	<u>389,545,796</u>	<u>349,876,319</u>

Deposits amounting to AED 200,508,267 (2005: AED 275,000,000) are placed with Dubai Islamic Bank PJSC, the parent company. These are denominated in UAE Dirhams, with an effective profit rate ranging from 2% to 5.32 % (2005: 5.4%) per annum.

### 13 SHARE CAPITAL

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Authorised and fully paid up:		
10,000,000 shares of AED 100 each (2005: 500,000 shares of AED 1,000 each)	<u>1,000,000,000</u>	<u>500,000,000</u>

At the time the Company was incorporated, the initial capital was AED 20,000,000. On 24 October 2002, the Shareholders resolved, in an Extraordinary General Meeting, to increase the Company's share capital to AED 200,000,000 through the issuance of 180,000 shares of AED 1,000 each to the existing shareholders. On 19 April 2005 the shareholders resolved to further increase the share capital of the Company to AED 500,000,000 through the issue of additional 300,000 shares of AED 1,000 each to the existing shareholders.

During the current year, the face value of the shares of the company was changed from AED 1,000 per share to AED 100 per share, thus increasing the number of shares to 5,000,000 shares. The share capital of the Company was further increased to AED 1,000,000,000 through the issue of additional 5,000,000 shares of AED 100 to the existing shareholders.

### 14 STATUTORY RESERVE

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

## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 15 PROPOSED SCRIP DIVIDENDS

The board of directors have proposed a scrip dividend amounting to AED 560,000,000 through issuance of 5,600,000 shares of AED 100 each (2005: nil). This is subject to approval of the shareholders at the annual general meeting, as well as approval of the regulatory authorities.

#### 16 MINORITY INTEREST

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

#### 17 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Provision as at 1 January	2,611,910	149,008
Related to acquisition of subsidiaries	-	2,091,914
Provided during the year	2,155,796	554,119
End of service benefits paid	(367,089)	(183,131)
	<u>4,400,617</u>	<u>2,611,910</u>
Balance at the end of the year	<u>4,400,617</u>	<u>2,611,910</u>

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

#### 18 ISLAMIC FINANCE OBLIGATIONS

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Facility one	90,972,423	90,972,423
Facility two	69,762,464	13,537,050
Facility three	49,362,930	-
Facility four	25,235,545	-
Facility five	-	75,278,954
	<u>235,333,362</u>	<u>179,788,427</u>

The Islamic finance obligations represent four Istisna' facilities obtained from Dubai Islamic Bank PJSC, the parent company. The facilities are used to finance the construction of the properties under construction as follows:

- Facility one is repayable in 2 installments, 50% due in 2007 and the balance 50% to be paid in 2008.
- Facility two is repayable in 8 years, commencing after the handover of the property involved, with an effective profit rate of EIBOR + 1.75% during the construction period.
- Facility three is repayable 6 months after the completion of the property involved, with an effective profit rate of 6.5% during the construction period.
- Facility four is repayable 6 months after the completion of the property involved, with an effective profit rate of EIBOR + 1.65% during the construction period.

## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 19 TERM LOANS

The loans were obtained to finance the purchase of motor vehicles. The loans are secured by mortgages over the vehicles purchased. These loans carry interest at an average rate of 4.2% and are repayable in equal monthly instalments of AED 28,079 over a period of three to four years.

#### 20 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Accruals on purchase of properties	965,165,261	-
Accounts and notes payable	37,165,230	18,247,415
Advances from customers	-	1,072,341
Due to related parties (note 22)	25,016,812	353,087
Accrued Islamic facility charges	11,982,140	7,379,577
Retentions payable	7,279,221	-
Tax payable	4,896,678	1,844,042
Other payables and accruals	70,100,101	53,432,644
	<u>1,121,605,443</u>	<u>82,329,106</u>

#### 21 INVESTMENTS IN JOINT VENTURES

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

	<i>2006</i> <i>AED</i>	<i>2005</i> <i>AED</i>
Cash and balances with banks	8,337,158	-
Properties under construction	258,926,000	-
Receivables and other assets	-	150,000
Property, plant and equipment	4,900	-
Total assets	<u>267,268,058</u>	<u>150,000</u>
Other liabilities	<u>267,976,908</u>	<u>-</u>
Loss for the year	<u>33,986</u>	<u>-</u>

## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 22 TRANSACTIONS WITH RELATED PARTIES

Related parties represent affiliated companies, the parent company, joint ventures, directors and key management personnel of the Group, and companies of which 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:

	<b>2006</b>		<b>2005</b>	
	<i>Income from deposits AED</i>	<i>Management fees AED</i>	<i>Income from deposits AED</i>	<i>Management fees AED</i>
Parent company	<b>15,986,084</b>	<b>208,515</b>	11,521,037	8,443,041
Other related parties	-	<b>5,217,285</b>	-	2,506,047
	<b>15,986,084</b>	<b>5,425,800</b>	11,521,037	10,949,088

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

	<b>2006</b>			<b>2005</b>		
	<i>Accounts receivable AED</i>	<i>Accounts payable AED</i>	<i>Fixed deposits AED</i>	<i>Accounts receivable AED</i>	<i>Accounts payable AED</i>	<i>Fixed deposits AED</i>
Parent company	<b>9,090,225</b>	-	<b>200,508,267</b>	2,495,649	121,334	275,000,000
Joint ventures	<b>39,123</b>	-	-	31,803	-	-
Other related parties	<b>109,198</b>	<b>25,016,812</b>	-	41,802	231,753	-
	<b>9,238,546</b>	<b>25,016,812</b>	<b>200,508,267</b>	2,569,254	353,087	275,000,000

#### Compensation of key management personnel

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

	<b>2006 AED</b>	<b>2005 AED</b>
Payroll and related expenses	<b>6,882,144</b>	3,433,869
Employees' end of service benefits	<b>373,878</b>	135,806
	<b>7,256,022</b>	3,569,675

The number of key management personnel at 31 December 2006 was 15 (2005: 8).

## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 23 SEGMENTAL INFORMATION

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

	<i>Property development and related activities</i>		<i>Other activities</i>		<i>Total</i>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
Segment revenue	<b>978,226,756</b>	441,248,712	<b>78,735,788</b>	14,194,886	<b>1,056,962,544</b>	455,443,598
Segment profits	<b>409,506,706</b>	139,685,374	<b>3,104,363</b>	1,226,368	<b>412,611,069</b>	140,911,742
Segment assets	<b>2,977,918,707</b>	988,199,259	<b>56,229,632</b>	11,942,121	<b>3,034,148,339</b>	1,000,141,380
Segment liabilities and equity	<b>2,977,918,707</b>	988,199,259	<b>56,229,632</b>	11,942,121	<b>3,034,148,339</b>	1,000,141,380

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

	<i>Domestic</i>		<i>International</i>		<i>Total</i>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
Revenues	<b>1,006,093,051</b>	427,639,182	<b>50,869,493</b>	27,804,416	<b>1,056,962,544</b>	455,443,598
Profit for the year	<b>403,029,563</b>	135,475,222	<b>9,581,506</b>	5,436,520	<b>412,611,069</b>	140,911,742
Total assets	<b>2,632,871,258</b>	895,391,272	<b>401,277,081</b>	104,750,108	<b>3,034,148,339</b>	1,000,141,380
Capital expenditure	<b>8,397,049</b>	5,527,264	<b>17,850</b>	20,202	<b>8,414,899</b>	5,547,466

#### 24 COMMITMENTS

At 31 December 2006, the Group had capital commitments of AED 1,048,377,157 (2005: AED 598,191,888). This represents the value of contracts issued as of 31 December 2006 net of invoices received and accruals made at that date.



## Deyaar Development Company (P.S.C.) and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

#### 25 RISK MANAGEMENT

##### Profit rate risk

The Group is exposed to profit rate risk on its profit bearing assets and liabilities (deposits, Islamic financing facilities and term loans).

##### Credit risk

Credit risk or the risk of counter parties defaulting is controlled by application of credit approval, limits and monitoring procedures. In addition, investment and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

The Group's customers are mainly based in the United Arab Emirates and Lebanon. At 31 December 2006 there was no significant concentration of credit.

##### Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

##### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The respective assets and liabilities of both DIB Tower SAL and Beirut Bay SAL (the Lebanese subsidiaries) amounting to AED 201,453,422 (2005: AED 104,750,108) and AED 201,176,147 (2005: nil), are denominated in Lebanese Lira.

The assets and liabilities of Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Limited Sirketi amounting to AED 65,281,676 (2005: nil) and AED 42,956,984 (2005: nil), respectively, are denominated in Turkish Lira.

#### 26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts and notes receivable, retentions receivable and certain other assets. Financial liabilities consist of payables, Islamic finance facilities, term loans and certain other liabilities.

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

#### 27 POST BALANCE SHEET EVENT

Subsequent to 31 December 2006, the Company has disposed of its interest in Al Tanmyah Services LLC to Dubai Islamic Bank PJSC. The revenue, share of profits and net assets of the company included in the financial statements are as follows:

	<b>2006</b> <b>AED</b>	<b>2005</b> <b>AED</b>
Revenues	<b>26,229,366</b>	13,661,380
Share of profits	<b>3,061,653</b>	1,082,799
Net assets	<b>7,724,530</b>	1,962,877

**DEYAAR DEVELOPMENT PJSC**

( . . . ) \_\_\_\_\_

**Public Joint Stock Company  
Articles of Association**

**Preamble**

1- By a Memorandum of Association notarized at Dubai Notary Public on 6/1/2001, a private joint stock company under the name of Emirates Real Estate PSC was established. The company is registered under Commercial Registry No 57916 and holds Commercial License No 530360 issued by the Dubai Department of Economic Development. And Whereas the Company's name was changed to Deyaar Development PSC on October 24<sup>th</sup>, 2004.

(. . . ) / /

2- Whereas the shareholders whose names and participation are listed below wish to establish a public joint stock company by contributing their in-kind capital in Deyaar Development Psc to the company and by increasing its shares capital and offering 55% of the expanded share capital for public subscription.

. . . % . . .

3- And whereas the company's General Assembly has approved in its meeting held on 29/11/2006 to convert the company from a private joint stock company to a public joint stock company and offering 55% of the share capital for public subscription and they have appointed a committee to supervise the converting procedure.

% / /

Therefore, it has been agreed that the following shall be the Articles of Association of the Company:

:

**Article (1)**

( )

The name of this company shall be

:

**DEYAAR DEVELOPMENT PJSC**

A public joint stock company (the "Company").

( " " )

**Article (2)**

( )

The main office of the Company and its legal place of business will be in the city of Dubai in the Emirate of Dubai. The Board of Directors may establish branches, offices or agencies thereof in the United Arab Emirates and abroad.

**Article (3)**

( )

The duration of this Company is ninety-nine (99) calendar years commencing on the date that a decision is issued by the Minister of Economy declaring its establishment. Thereafter, the duration of the Company shall be renewed automatically to similar consecutive terms unless a resolution of the Extraordinary General Assembly is issued to dissolve the Company.

( )

**Article (4)**

( )

The objects for which the Company is established shall be in accordance with the laws and decisions in force in the UAE.

:

The Objectives of the Company are:

- 1- To undertake real estate development construction, building including, decoration, facilities management, project management consultancy and renovation activities of any type including, whether residential, commercial, retail or industrial.
- 2- To undertake all activities as real estate owners, lessors, sellers, lessees and the Company has the right to purchase, sell, exchange, rent or lease all types of property.

-

-

- |    |   |   |
|----|---|---|
| 3- | To own lands and buildings, to manage them, to hold them on what so ever manner, to lease them and to dispose of them in any legal way in order to sell them as is, or after their partitions or after subdivision or to lease them.  | - |
| 4- | To undertake all foundations constructing activities and all engineering activities related to that and to do all electrical and mechanical activities and any other related activities.  | - |
| 5- | The Company has the right in exercising its activities :  | - |
|    | a) To own, lease, rent, sell, exchange, possess real estates and any other fixed assets such as lands, buildings and others.  | ( |
|    | b) To invest the Company's funds in financial fields and activities which have been related to Company's activities and to incorporate companies and to participate in their capital, to own trademarks, patents, authors rights and any other rights, industrial forms and any intellectual property rights the Company's deems it necessary for its business. | ( |
|    | c) To submit technical and engineering consultations in the real estate and building fields and any other field.  | ( |
|    | d) To have the right to participate and to have an interest of whatsoever nature with other companies, organizations and institution in the United Arab Emirates and in other countries, whether by way of joint venture or otherwise in any type of businesses and to participate in their capital.  | ( |

- e) To acquire and possess, ( companies and establishments related to the Company's objectives and to create sister companies and branches in or outside the United Arab Emirates after having obtained the necessary authorizations from the competent authorities.
- g) Incorporate or acquire factories ( related to the Company's objectives, and to market its products.
- g) To do all the related activities to ( the import and export different types of construction materials and goods, re-selling of the same, export and distribute it.
- h) To act as an agent for the ( companies, establishment and international organizations related to the Company's objectives and to represent the same in UAE and abroad.
- i) Deal with and buy commodities ( and other movables related to the Company's objectives for the intention of selling renting or sub-renting the same.

The Company may conduct above mentioned objectives and authorities anywhere in the world whether as principal, agent, contractor or otherwise, and whether individually or in conjunction with other individuals or corporate, through agents, sub-contractors, trustees or otherwise.

The Company may conduct any other businesses related to the above objectives, and through the Company's instruments or other company's, person(s) deals in the same field.

The Company's objectives and authorities provided for herein shall be construed without restrictions and in their widest meanings. The Company may achieve its objectives and exercise its mentioned authorities within the UAE and anywhere else in the world, and may from time to time expand them in any manner according to a resolution issued by an extraordinary general meeting pursuant to the provisions of the Federal Law no. 8 of 1984 concerning commercial companies.

## **Part Two** **The Capital of the Company**

### **Article (5)**

The share capital of the Company shall be United Arab Emirates Dirhams 5,778,000,000 (AED Five Billion Seven Hundred Seventy Eight Million) divided into 5,778,000,000 shares (Five Billion Seven Hundred Seventy Eight Million shares) of one Dirham (AED 1/-) each. The share capital of the Company is divided into 2,600,000,000 shares in-kind and 3,178,000,000 shares in-cash. Furthermore, a subscription fee in the amount of 0.02 shall be added to the value of each share.

### **Article (6)**

All the shares in the Company are nominal. The share participation by Nationals of the United Arab Emirates must not, at any time during the existence of the Company, fall below fifty one percent (51%) of the Company's share capital unless permitted otherwise by the UAE laws.

## Article (7)

( )

One hundred percent (100%) of the total nominal value of the shares shall be paid upon subscription.

(% )

## Article (8)

( )

The founders of Deyaar Development PJSC have subscribed to 2,600,000,000 (Two Billion Six hundred million) shares in-kind having a value of United Arab Emirates Dirhams 2,600,000,000 (AED Two Billion Six hundred million). The shares in-kind represent 45% of the Company's share capital. One hundred percent (100%) of the value of the above shares plus AED (0, 02) per share subscription fees were paid by all the Founders on subscription. The shares in-kind have been distributed among the Founders as follows:

...  
( ) , , ,  
% , .( )  
(% )  
:

			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )
			( . . )

Name	Nationality	Nature of Shares	No. of Shares
Dubai Islamic Bank	UAE	2,482,996,360	2,482,996,360
Sequoia Investments LLC	UAE	117,000,260	117,000,260
Deyaar Funds LLC	UAE	260	260
Deyaar Investment LLC	UAE	260	260
Bulwark Investment LLC	UAE	260	260
Optimum Investment LLC	UAE	260	260
Rubicon Investment LLC	UAE	260	260
Osiris Investment LLC	UAE	260	260
Lotus Investment LLC	UAE	260	260
Premiere Investment LLC	UAE	260	260
Landmark Investment LLC	UAE	260	260
Blackstone Investment LLC	UAE	260	260
Blue Nile Investment LLC	UAE	260	260
Momentum Investment LLC	UAE	260	260
Mount Sinai Investment LLC	UAE	260	260

The remaining shares in-cash, being 3,178,000,000 shares with a nominal value of 3,178,000,000 and representing fifty-five percent (55%) of the share capital in the Company, will be offered for public subscription.

(% ) , , ,

#### Article (9)

( )

The full value of the shares plus the subscription fees amounting to 0,02 per share must be paid at subscription in accordance with the timetable and procedures mentioned in the Prospectus. The amounts paid shall be recorded in the share certificates.

( , )

#### Article (10)

( )

Share certificates or temporary share certificates shall be produced from a book with coupons which are given serial numbers, and signed by two members of the Board of Directors and stamped with the Company's seal.

The share certificate must particularly include the date of issuing the license by establishing the Company to public joint stock company, the date



of issuing the decision declaring the establishment of the Company, the date of publishing both dates in the Official Gazette, the amount of the share capital of the Company, the number of shares that the capital is divided into, the Company's main office and the Company's duration.

Dividend coupons with serial numbers and bearing share numbers shall be attached to the shares.

**Article (11)**

( )

Within three months from the date of issuing the decision of the Minister of Economy declaring the establishment of the Company, the Board of Directors shall deliver to each shareholder temporary share certificates representing the shares they own.

The share certificates shall be delivered by the Board within three (3) months from the date of registration of the Company in the Commercial Register.

**Article (12)**

( )

The shareholders shall not be liable by any of the Company's liabilities exceeding the number of shares held by each of them and any unpaid amounts on their shares, if any. Such liabilities may only be increased pursuant to the unanimous approval of the shareholders.

**Article (13)**

( )

Ownership of any shares in the Company shall be deemed an acceptance by the Shareholders to be bound by the Company's Memorandum and Articles of Association and the resolutions of the General Assembly. Shareholders may not claim back from the Company any amounts paid for shares in the Company's capital.

#### Article (14)

( )

Shares are not divisible. Notwithstanding the above, if a share is inherited by more than one person, or if more than one person acquires a share, one person must be appointed to represent the owners of the share vis-à-vis the Company. In this case, all persons co-owning a share shall be jointly responsible for the liabilities arising from that share.

#### Article (15)

( )

Each share entitles its holder to a proportion in the assets of the Company on its dissolution, to dividends declared as described herein below, to attend General Assemblies and to vote on resolutions passed in those General Assemblies equally with any other holder of a share without discrimination.

#### Article (16)

( )

If the laws enforceable in the UAE are amended to permit the implementation of employees share option plan and for the purpose of encouraging excellent and diligent performance by the Company's employees and attracting able and efficient employees to work in the Company, the Company's Board shall have the right to implement one or more employee share option plans subject to these terms:

- a. At the date these Articles take effect issued shares representing [5%] of the Company's paid up capital at that time shall be allocated for the purpose of establishing and implementing one or more employee share option plans.
- b. The share capital of the Company may be increased by no more than 20\_% of the paid up capital in any five year period for the purpose of establishing and implementing such employees share option plans.
- c. The number and terms upon which any such shares allocated to establish or

5%

-

%

-

-

implement any such employee share option plans shall be determined by the Board from time to time.

- d. With the exception of the executive directors who are employees of the Company including the Managing Director and/or the Chief Executive Officer, Directors may not participate in the employee's share option plans unless permitted by law or the regulations or policies of the UAE competent authorities.
- e. Future issues of shares to establish or implement share option plans may not be made unless duly approved by the shareholders of the Company under Article 252 or the Commercial Companies Law unless that legal requirement is removed.

#### **Article (17)**

( )

- a) The Company shall as soon as possible list its shares on one or more of the licensed financial markets in the UAE. The Board of Directors may also list the Company on other financial markets outside the UAE. After listing the Company on a financial market inside or outside the UAE, the Company shall follow the applicable laws and regulations at those financial markets including those relating to the issuance and registration of the Company's shares, trading of those shares and transfer of title to them and any rights arising therefrom without the need to amend these Articles of Association where their provisions are contradictory to those of the applicable laws and regulations.
- b) When the Company completes the listing of its shares on any of the licensed financial markets in the UAE, it shall replace the temporary share certificates, the register of shares and transfers thereof by an electronic system for the registration of the shares and transfers thereof pursuant to the applicable regulations in

(

(

that financial market. Data which appears on the electronic system shall be deemed final and binding and may not be subject to objection, transfer or amendment or change save pursuant to the regulations and procedures followed at the relevant financial market.

- c) Taking into account the provisions of article /173/ Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments and of these Articles of Association, the Company's shares may be sold, transferred, pledged or otherwise disposed of in accordance with the provisions of these Articles of Association and the rules and regulations issued by the Board of Directors. Transactions relating to the Company's shares, including transfers of shares and any rights arising therefrom must be registered in a special register to be called the "Register of Shares". Registration will be made after receipt by the Board of Directors of a written notification from the transferor and the transferee provided that the transferor must settle any transfer fees imposed by the Company from time to time by a decision of the Board of Directors. The Board of Directors shall further have the right to request notarization of signatures of both parties. Transfers of shares which are not made in accordance with the provisions of these Articles of Association shall not be recognized. After listing of the Company's shares on a licensed financial market in the UAE, such transactions shall be registered in accordance with the regulations relating to sale and purchase, set-offs, settlements and registration enforceable by that financial market for so long as the Company's shares are listed thereon without any amendments to these Articles of Association being necessary.

- d) In the event of death of a shareholder, his heirs would be the only persons to be recognized by the Company as having rights or interests in the shares of the

deceased shareholder and who will be entitled to dividends and other privileges which the deceased shareholder enjoyed in relation to the shares in question. The estate of the deceased would not be exempted from any obligations arising from any shares he owned before his death.

- e) Any person who becomes entitled to rights to shares in the Company as a result of the death of a shareholder, or as a result of an attachment order of a competent court must within thirty days:

1) Produce evidence of such right to the Board of Directors; and

2) Select either to be registered as a shareholder or to nominate another person to be registered as the owner of the relevant shares.

- f) The Company shall have the right to request certification of the signatures of both parties on any document relating to a transaction involving the Company's shares and to demand demonstration of their legal capacity. Further, the transferor shall be deemed to be a shareholder until the transferee is registered in the Register of Shares maintained pursuant to these Articles of Association provided that the provisions relating to transfers of shares imposed by the financial markets on which the Company is listed (after listing is completed) are not contravened.

- g) Any shareholder shall be entitled to a share certificate relating to Company shares that he owns in the event of loss or damage of the original share certificate provided that a reference on the replacement share certificate to this effect must be made. The replacement share certificate shall entitle the relevant shareholder to all the rights and make him

liable to all the obligations that were inferred by the lost or damaged share certificate.

**Article (18)**

( )

The heirs of a shareholder or his creditors may not, for any reason, demand the attachment of the Company books or its assets, or to divide those assets or sell them in one lot because the shares are not divisible, nor interfere in any manner whatsoever in the management of the Company. Those heirs or creditors must, in the exercise of their rights, rely on the Company's books and inventories, its balance sheets and the resolutions of the General Assembly.

**Article (19)**

( )

Dividends due on shares shall be paid to the holder of those shares registered in the Share Register five to ten days following the date of convening the General Assembly which resolved to distribute the dividends. Only that shareholder shall have the right to the profits due on those shares whether these profits represents dividends or entitlement to part of the Company's assets.

The Company should declare ahead of time the date on which the dividends shall be distributed.

**Article (20)**

( )

Taking into account the provisions of Article (200) of Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments, the capital of the Company may be increased by issuing new shares of the same nominal value as the original shares. The capital may also be reduced after obtaining the approval of the Ministry of Economy.

( )

( )

New shares may not be issued at less than the nominal value. If however, shares are issued at a premium, such premium will be added to the statutory reserve, even if by doing so the reserve exceeds half of the share capital.

Increase or reduction of the share capital shall be made by a Resolution of the Shareholders at an Extraordinary General Assembly pursuant to a recommendation of the Board of Directors in both cases, and after reviewing the auditors' report in the latter case. In the case of an increase, the resolution must state the amount of increase, the value of the shares issued and any pre-emptive rights to existing shareholders. In the case of a decrease in the share capital, the resolution must state the amount of decrease and the method of its implementation.

**Article (21)**  
**Sukuk**

( )

---

Without prejudice to Articles 179,180,181,183 of the Federal Companies Law No. 8 of 1984 and amendments, , the extra ordinary general assembly may decide to issue any type of Sukuk. The resolution shall determine the type, value, conditions and terms of the issue, convertibility into shares. The General Assembly may also resolve to generally authorize the Board of Directors to determine the value of the debentures as well as the terms and type of issue as it deems appropriate provided that the debenture would be mentioned in the Commercial Register and that the Ministry of Economy and the competent authority will be notified of it.

( ) ( ) ( ) ( ) ( )

**Part Three**  
**Board of Directors**

**Article (22)**

( )

The Company shall be managed by a Board of Directors composed of nine (9) members to be elected by the General Assembly in a secret ballot.

( )

In any event, the majority of the Board of Directors, including the Chairman must be UAE national.

As an exception to the aforementioned appointment procedures, the founder members have appointed the first Board of Directors composed of nine (9) members, for a period of three years commencing from the date on which the Minister of Economy announces the decision to establish the Company. The first Board of Directors will consist of the following persons namely:

( )

( )

:

1. H.E. Minister Dr. Mohammed Khalfan Bin Kherbash, a UAE national, holder of diplomatic Passport No. (15655) (Chairman);

/

-

( ) ( )

2. H.E. Minister Sultan Saeed Mohd Nasser Al Mansoori, a UAE national holder of Passport No. 15182, (Vice-Chairman);

( )

/

-

( )

3. Mr. Sultan Ahmed Khalfan Al Gaith, a UAE national holder of Passport No. 05464 (Member);

( ) ( )

/

-

4. Mr. Hussain Hassan Mirza Mohd AlSayegh, a UAE national holder of Passport No. 0000829 (Member);

( ) ( )

/

-

5. Mr. Khaled Mohammed Ali Al Kamda, a UAE national holder of passport no. 0918581 (Member);

( ) ( )

/

-

6. Mr. Saad Mohd Sharif Abdulrazak, a UAE national holder of Passport No. (A 0000805) (Member);

( )

/

-

( )



7. Mr. Khalifa Suhail Juma Al Zaffin, , a ( ) / -  
UAE national holder of Passport No )  
(A1619075) (Member); ( ) (
8. H.E. Younis Haji Abdulla H AlKhoori, a / -  
UAE national holder of Passport No ( )  
(0006410) (Member); ( )
9. Mr. Khaled Abdulla Mohamed Abdulla / -  
Al Mass, a UAE national holder of ( )  
Passport No1551699 (Member). .( )

#### Article (23)

( )

The Board of Directors shall be appointed for a period of three (3) years. At the end of this period, the Board shall be reconstituted. Members whose term of office is completed may be re-elected.

( )

The Board of Directors may appoint Directors to fill positions that become vacant during the year provided that this appointment should be presented to the General Assembly at its first Ordinary meeting to approve the said appointment or to appoint other Directors. If the positions becoming vacant during any year amount to one quarter of the number of the Members of the Board, the Board of Directors must, within a maximum period of three (3) months from the date of the last position becoming vacant, call an Ordinary General Assembly to convene to elect new Directors for the vacant positions. In any event, the new Director shall complete the period of his predecessor.

( )

#### Article (24)

( )

With the exception of the first Board of Directors which shall be appointed in accordance with Article (21) above, the Board of Directors shall elect, from amongst its members, a Chairman and a Vice-Chairman who shall both be UAE nationals. The Chairman of the Board shall represent the Company before the judiciary and shall execute all resolutions adopted by the Board of Directors.

( )

The Vice-Chairman shall replace the Chairman in his absence or when the Chairman is unable to carry out his duties.

#### Article (25)

( )

The Board of Directors may appoint from amongst its members or others a chief executive officer or general manager of the Company, the Board should specify his/their authorities and remunerations. The Board may also form, from amongst its members, one or more committees and grant such committees some of its authorities or entrust them with the supervision of the conduct of business and the execution of the Board's Resolutions.

#### Article (26)

( )

The Board of Directors shall have full authority over the management of the Company and the performance of all the functions required by its objects. This authority shall not be limited except as stipulated in the provisions of Federal Law No. (8) of 1984 concerning Commercial Companies and the Laws amending it, the Memorandum and Articles of Association or the resolutions of the General Assembly. Furthermore, the Board of Directors has been expressly authorized, for the purposes of Article (103) of the Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments to enter into financing agreements for terms no longer than 3 years, to mortgage some of the Company's assets when necessary, to exempt creditors of the Company from their liabilities, to settle claims or agree on

( )

( )

( )

( )

arbitration.

The Board of Directors shall have all the powers and authorities necessary to use any of the Company's assets or monies to enable the Company to purchase, acquire and invest in companies operating in similar or related fields to those of the Company including, without limitation, to enter into contracts or agreements relating to the purchase by the Company of other companies or to invest in them or manage them.

The Board of Directors shall issue regulations relating to administrative and financial affairs, personnel affairs and their financial dues. The Board shall also issue a regulation to regulate its business, meetings and the distribution of authorities and responsibilities.

Each member of the Board of Directors must notify the Company in writing within fifteen days from his election to that position, and within fifteen days from the end of each financial year, of the number of shares he owns, and must further notify the company forthwith of any transactions he enters into in relation to his shares.

( )

( )

#### **Article (27)**

( )

The Chairman of the Board of Directors, the Vice-Chairman, any authorized Member of the Board of Directors or any employee authorized by the Board within the limits of such authorization, may severally sign on behalf of the Company. Such person may also represent the Company before the courts and arbitration of any level or type, and to appoint attorneys and experts as required defending the Company.

#### **Article (28)**

( )

The Board of Directors shall meet at the head office of the Company or at any other place as the Board shall agree when necessary upon an invitation from the Chairman or at the request of two (2) of the members of the Board.

( )

There must be at least 6 meetings of the Board of Directors every year.

**Article (29)**

( )

Meetings of the Board of Directors shall not be valid unless attended by a majority of its members and if the Chairman nor Vice Chairman are present, the members elect one of them to lead that meeting,. A member of the Board of Directors may appoint another member of the Board to represent him in voting. In this case, that member shall have two votes. A member of the Board of Directors may not act on behalf of more than one member. A member would be deemed to be present if he is personally present or if he attends through any visual medium such as video conference.

The resolutions of the Board of Directors are adopted by a majority of the votes of the members present or represented. In case of a tie, the Chairman, or the member acting on his behalf, shall have a casting vote. Voting may not be made by correspondence. Notwithstanding anything to the contrary in these Articles of Association, a written resolution of the Board of Directors signed by all the members of the Board of Directors shall be deemed valid and enforceable as if it were a resolution taken at a meeting of the Board of Directors duly notified and convened.

Minutes of Board meetings shall be recorded in a special register. The minutes shall be signed by the members attending the meeting and the Board secretary. A dissenting member may confirm his opinion in the minutes.

Any member of the Board of Directors who has a personal interest in a transaction or a matter subject submitted to the Board of Directors for consideration or approval, must notify the Board of Directors of such interest and such interest must be noted in the minutes, and this member shall not participate in the vote with respect to this matter.

### Article (30)

( )

If a member of the Board of Directors is absent from attending more than three (3) consecutive meetings without a valid excuse, that member shall be considered to have resigned from his post as a member of the Board of Directors.

( )

The position of a member of the Board of Directors shall also become vacant if that member:

1. dies or becomes incapacitated for any reason or is unable to carry on its duties as a member of the Board of Directors;
2. is convicted of any dishonoring offense;
3. is declared bankrupt or ceases to pay his commercial debts even if bankruptcy is not declared;
4. resigns from his post by written notice sent to the Company to this effect;
5. his term of Board membership has elapsed and was not re-elected;
6. is dismissed by a resolution of the General Assembly; or
7. his membership is not in compliance with Article (98) of Federal Law No.(8) of 1984 Concerning Commercial Companies and its amendments.

-

-

-

-

-

-

-

( )

( )

### Article (31)

( )

The Board of Directors may appoint one or more managers or authorized attorneys for the Company and specify their authorities. It may also determine the terms and conditions of the employment of those attorneys, their salaries and remunerations.

**Article (32)**

( )

Without prejudice to Article (33) hereof, members of the Board of Directors shall not be personally liable or obligated for the liabilities of the Company as a result of their performance of their duties within the limits of their authority.

( )

**Article (33)**

( )

The Chairman and other members of the Board of Directors shall be liable towards the Company, the Shareholders and third parties for all acts of fraud, abuse of authority, any violation of Federal Law No. (8) of 1984 concerning Commercial Companies and its amendments, any other Law and these Articles of Association and for mismanagement of the Company.

( )

**Article (34)**

( )

Without prejudice to Article (118) of Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments, the remuneration of each of the members of the Board of Directors shall be determined as a lump sum pursuant to a recommendation by the Board of Directors and the approval of the Ordinary General Assembly. Furthermore, the Company may reimburse any member of the Board of Directors or assign further remuneration or monthly salary in amounts to be determined by the Board of Directors if such member is a member of a committee or makes extra efforts or additional work to serve the Company in addition to his duties as a member of the Board of Directors. In all events, the remuneration may not exceed 10% of the net profit after depreciation and reserve were deducted and dividends of not less than 5% of the capital were distributed among share-holders.

( )

( )

%

%

**Part Four**

**The General Assembly**

\_\_\_\_\_  
\_\_\_\_\_

**Article (35)**

( )

A duly convened General Assembly represents all

the shareholders and may only be convened in the Emirate of Dubai or any other place decided by the Board of Directors.

/ /

According to Article (23) of Resolution no 2 of 2001 concerning the regulations as to trading, clearing, settlement, transfer of ownership and custody of securities, the owners of shares registered on the working day preceding the holding of the General Assembly of the Company, shall be deemed to be the holders of the right to vote in that Company's General Assembly. The holders of the right to dividends due or an increase of capital or a sub-division of nominal value shall however be the owners of the shares on a date subsequent to the date of the holding of the General Assembly at which was resolved the distribution of such profits or the increase or the sub-division by at least five working days and not exceeding ten working days from the date of the holding of such assembly.

#### **Article (36)**

( )

Each shareholder as defined above shall have the right to attend the General Assembly of the shareholders and shall have a number of votes equal to the number of his shares.

A shareholder may appoint a proxy, who must not be a member of the Board of Directors, to attend the General Assembly on his behalf. However, in order for the proxy to be valid, it must be a written special power of attorney issued pursuant to any terms and conditions determined by the Board of Directors and, if the proxy is not a shareholder, the signatures on that power of attorney must be notarized. In any event, a proxy may not hold more than five percent (5%) of the share capital of the Company for more than one shareholder in this capacity.

(% )

Persons lacking capacity or who have lost their capacity shall be represented by their legal guardians.

#### **Article (37)**

( )

The shareholders shall be invited to attend the

General Assembly by advertising in two local daily newspapers published in the Arabic language and by registered letters at least twenty-one (21) days before the date set for the meeting. The invitation to attend the meeting must include an agenda. Copies of the invitation shall also be sent to the Ministry and the competent authority.

( )

**Article (38)**

( )

The founders shall prepare the agenda for the first General Assembly and the Board of Directors shall prepare the agenda for Ordinary and Extraordinary meetings of the General Assembly. In the event that the General Assembly is convened at the request of the shareholders, the Company's auditors, or the Ministry of Economy, the agenda shall be prepared by the party requesting to convene the General Assembly.

**Article (39)**

( )

Shareholders who wish to attend the Ordinary and Extraordinary General Assembly meetings shall register their names in an electronic register made available by the management of the Company at the meeting place within ample time before the meeting. The register shall include the name of the shareholder or his representative, the number of shares he holds or represents and the names of the represented shareholders and the appropriate proxies /Power of Attorney. An extract of this register showing the number of shares represented at the meeting and the percentage of attendance shall be printed and attached to the minutes of the General Assembly meeting after being duly signed by the Chairman of the meeting, the Secretary and the auditor of the Company.

Registration shall close at the time which the Chairman shall announce whether or not a quorum is present. No registration of shareholders or proxies would be allowed thereafter and votes of those late shareholders or proxies would not count and their views would not be taken into account in that meeting.



**Article (40)**

( )

It shall be permitted for the Board of Directors at its discretion to prohibit entries to the Register of Shares from the date of publishing the invitation until the General Assembly meeting is concluded or for a lesser period. However, if the Company is listed on any financial market in the UAE, prohibition of entries to the Register of Shares shall be enforced pursuant to the relevant rules and regulations of that financial market.

( )

**Article (41)**

( )

The provisions of Federal Law No. (8) of 1984 and the Laws amending it shall apply with respect to the quorum required for convening any type of the General Assembly and with respect to the majority required to adopt resolutions therein.

( )

**Article (42)**

( )

The General Assembly shall be chaired by the Chairman of the Board of Directors. In the absence of the Chairman, the Vice-Chairman or any member of the Board of Directors appointed by the Board for that purpose shall chair the meeting.

The Chairman shall appoint a secretary for the meeting and two tellers to count the votes, provided that their appointment is ratified by the General Assembly.

The Company shall keep minutes of the meetings of the General Assembly in special books and those minutes shall be signed by the Chairman of the relevant meeting, the Secretary, the tellers and the auditors, who shall all be responsible for the accuracy of information in those minutes.

**Article (43)**

( )

Voting at the General Assembly shall be in accordance with the procedure specified by the Chairman of the Assembly unless the General Assembly resolves to adopt a specific voting procedure. Voting should be by secret ballot if it relates to the elections of the members of the Board of Directors, their dismissal or accountability.

**Article (44)**

( )

A person having the right to attend the General Assembly, personally or by proxy, may not participate in voting on matters related to a personal benefit or an existing dispute between himself and the Company.

**Article (45)**

( )

The founders shall, within thirty (30) days from their subscription to all the shares in the Company, hold the first General Assembly at the place and the time specified in the invitation. The shareholders shall discuss at that General Assembly the establishment formalities, ascertain that they were properly performed in accordance with the Law, approve the valuation of the shares in kind elect members of the Board of Directors (if so required) appoint the auditors and determine their remuneration and declare the establishment of the Company.

( )

**Article (46)**

( )

The Board of Directors may convene an Ordinary General Assembly whenever it deems necessary. In any event, the General Assembly must convene at least once a year upon an invitation by the Board of Directors within the four (4) months following the end of the financial year at the place and the time specified in the invitation to the meeting.

( )

The General Assembly shall particularly meet to review the report of the Board of Directors on the activities of the Company and its financial position during the year, the auditors' report, to approve the balance sheet of the following financial year, the profit and loss account, approve the rules for the distribution of dividends, to elect members of Board of Directors when necessary, appoint the auditors and determine their remuneration and absolve members of the Board of Directors and the auditors of all liabilities or decide to initiate proceedings against them, as the case may be.

**Article (47)**

( )

The Board of Directors shall convene an Ordinary General Assembly when requested to do so by the auditor or by at least ten (10) shareholders holding a minimum of thirty percent (30%) of the share capital in the Company. In both cases, the invitation to convene must be issued within fifteen (15) days from the date of submitting the request.

(% )

( )

**Article (48)**

( )

An Extraordinary General Assembly shall convene pursuant to an invitation by the Board of Directors. The Board must convene an Extraordinary meeting of the General Assembly if requested to do so by shareholders holding at least forty percent (40%) of the share capital in the Company. In this case, the Board must send out the invitations to the shareholders within fifteen (15) days from the date of submitting the request.

(% )

( )

**Article (49)**

( )

Subject to the provisions of Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments, the Extraordinary General Assembly may amend the Articles of Association of the Company in any respect; whether to increase or decrease the share capital of the Company, to extend or shorten its duration, its merger with another Company or liquidating it or to sell or otherwise dispose of the business of the Company, provided always that the contemplated amendment had been detailed in the invitation to the meeting. with the exception that the Extraordinary General Assembly meeting may not increase the liabilities of the shareholders, change the main objects of the Company or move its head office to a foreign country unless the unanimous approval of the Shareholders is obtained.

( )

**Article (50)**

( )

Taking into consideration the provisions of Article (129) of Federal Law No. (8) of 1984 concerning Commercial Companies and the Laws amending it, the General Assembly may not deliberate on any matters other than those included in the agenda attached to the invitation to attend the meeting. However, they may discuss serious matters that are revealed at the meeting. If any of the shareholders, or if a number of the shareholders, representing one tenth of the share capital of the Company request adding certain matters to the agenda of the General Assembly, the Board of Directors must do so failing which the General Assembly may decide to discuss these matters at the General Assembly.

( )

( )

**Article (51)**

( )

Resolutions of the General Assembly adopted in accordance with the provisions of Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments and these Articles of Association shall be binding on all shareholders including those who were absent or had a dissenting opinion.

( )

**Part Five**  
**The Auditors**

**Article (52)**

\_\_\_\_\_  
\_\_\_\_\_  
( )

The Company shall have one or more auditors appointed for a renewable term of one year by the General Assembly which shall also determine his/their remuneration. The auditor should audit the accounts for the financial year for which he was appointed.

As an exception to the aforementioned, the founders have appointed Messrs. Ernst & Young of Dubai as the first auditors of the Company who shall assume their responsibilities until the first General Assembly is convened.

**Article (53)**

( )

The auditor shall have the authority and the obligations provided for in the Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments. He must particularly have the right to review all the Company books, records, instruments and other documents at any time. He may also request clarifications as he deems necessary for the performance of his duties and he may investigate the assets and liabilities of the Company. If the auditor is unable to perform these authorities, he must confirm this in writing in his response to the Board of Directors. If the Board of Directors fails to enable the auditor to perform his duties, the auditor must send a copy of his report to the Ministry of Economy and the relevant authority and present it to the General Assembly.

( )

**Article ( 54)**

( )

The auditor must also receive a notice to attend the General Assembly similar to that sent to the shareholders and he must be present to the General Assembly a report which includes all the particulars stipulated in Article (150) of the Federal Law No (8) of 1984 concerning Commercial Companies and the Laws amending it. The auditor must attend the General Assembly

( )

( )

to present his opinion concerning all matters related to his duties, particularly the Company's balance sheet.

The auditor, who acts in the capacity of an agent of the Shareholders, shall be responsible for the accuracy of the particulars mentioned in his report. Each shareholder may discuss the auditors' report and request clarifications on matters included therein during the General Assembly meeting.

The auditor shall also be entitled to receive all notices and correspondence relating to General Assembly meetings which shareholders will be entitled to receive.

**Part Six**  
**Company Finance**

\_\_\_\_\_  
\_\_\_\_\_

**Article ( 55)**

( )

The Board of Directors shall maintain duly organized accounting books which reflect the accurate and fair picture of the Company's financial status in accordance with generally acceptable accounting principles internationally applied. No shareholder will be entitled to inspect those books unless a specific authorization to this effect is obtained from the Board of Directors.

With the exception of the first financial year of the Company which will commence from the date of the Company's registration in the Commercial Register and end on 31st December of the consecutive year.

**Article ( 56)**

( )

The Board of Directors must prepare a balance sheet and profit and loss account for each financial year at least one (1) month before the Annual General Assembly. The Board must also prepare a report on the Company's activities during the financial year, its financial position at the end of that year and the proposed method for the distribution of the net profits. A copy of the balance sheet, profit and loss account and the report of the Board of Directors shall be sent to the shareholders as attachments to the agenda of the Annual General Assembly.

**Article ( 57)**

( )

A percentage of the annual gross profit to be determined by the Board of Directors shall be deducted for the depreciation of the Company's assets or for compensation for the depletion in their value. These amounts shall be disposed of in accordance with the resolution of the Board of Directors and may not be distributed to the shareholders.

**Article ( 58)**

( )

The annual net profits of the Company shall be distributed as follows after deducting all expenses and other costs:

1. Ten percent (10%) shall be deducted and allocated to the statutory reserve. The Annual General Assembly may cease such deduction when the amount of the reserve reaches the equivalent of at least fifty percent (50%) of the paid up capital of the Company. If the statutory reserve falls below the legal requirement at any time, deductions from net profits must resume.

(% )

(% )

2. If resolved by the Board of Directors, A further ten percent (10%) of the annual net profits shall be deducted and allocated to a general reserve. Deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon recommendation by the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilized for the purposes determined by the General Assembly at an ordinary meeting upon recommendation by the Board of Directors. (% ) -
3. The remaining amount of the profits, after deducting the aforementioned, shall be distributed among the shareholders as additional dividends, or shall be carried forward to the following year upon a recommendation by the Board of Directors or shall be allocated to a special reserve which shall be created upon a recommendation by the Board of Directors and after the approval of the General Assembly. -

#### Article ( 59)

( )

The Company may not distribute the statutory reserve as dividends among the Shareholders. Nevertheless, any money in the statutory reserve in excess of fifty percent (50%) of the paid up capital may be utilized to distribute dividends which shall not exceed 10% of the paid up capital among the Shareholders in years where the net profits of the Company would not be sufficient to distribute this percentage as dividends. The general reserve may not be utilized for purposes other than those specified therefore unless an ordinary resolution by the General Assembly is passed. %



**Article ( 60)**

( )

Without prejudice to the provisions of Article (194) of the Federal Law No. (8) of 1984 Concerning Commercial Companies and its amendments, dividends shall be paid to the shareholders in the place and at the time determined by the Board of Directors and approved by the General Assembly.

( )

( )

**Part Seven**

**Disputes**

\_\_\_\_\_  
\_\_\_\_\_

**Article ( 61)**

( )

Civil liability against members of the Board of Directors arising out of those members' performance of their duties may not be waived by a resolution by the General Assembly. If the action giving rise to the liability was presented to the General Assembly in a report by the Board of Directors or by its auditor and was ratified by the General Assembly, civil claims shall be time barred by the expiry of one year from the date of convening that General Assembly. However, if the alleged action constitutes a criminal offence, the proceedings for liability shall not be time barred except by the lapse of the public case.

**Article ( 62 )**

( )

The Company shall, within the value of its assets, indemnify any Board member or any Director or manager in the Company for any liability he incurs (save for criminal liability) as a result of or in relation to his carrying out of his duties provided that such Director or manager has acted in good faith and was under reasonable belief that his acts were for the best interest of the Company or at least not in contradiction therewith. However, such person shall not be entitled to indemnity for a claim or matter for which he was found liable by a decision of a competent court.

( )

The Company shall be responsible for indemnifying such person for any costs, fees and expenses incurred in relation to any claim or action or legal proceedings or otherwise for which he was liable and is entitled to indemnity as aforementioned including, without limitation, liabilities arising from criminal actions in which he was proved innocent or discharged.

**Part Eight**  
**Dissolution and Liquidation**  
**of the Company**

**Article ( 63)**

The Company shall be dissolved for one of the following reasons:

1. Expiry of the term specified for the Company unless it is renewed in accordance with the provisions stipulated in these Articles of Association;
2. Fulfilment of the objects for which the Company was established;
3. By an extraordinary resolution of the General Assembly to dissolve the Company.
4. Merger of the Company with another Company.

**Article ( 64)**

If the Company incurs losses at least equal to fifty percent of its share capital, the Board of Directors must convene an Extraordinary General Assembly to consider whether the Company should continue or be dissolved. A decision to dissolve the Company before the expiry of its duration provided in Article (4) hereof shall not be valid unless approved by the majority required pursuant to Article (141) of Federal Law No.(8) of 1984 Concerning Commercial Companies and its

amendments.

**Article ( 65)**

( )

At the end of the term of the Company or in case of its dissolution before the expiry of such term, the General Assembly shall, upon recommendation by the Board of Directors, determine the method of liquidation, appoint one or more liquidators and shall specify their duties. The authorities of the Board of Directors shall terminate with the appointment of the liquidator(s).

The authorities of the General Assembly shall remain in force for the duration of the liquidation process and shall last until the liquidators are absolved of their obligations.

**Part Nine**  
**Final Provisions**

\_\_\_\_\_  
\_\_\_\_\_

**Article ( 66)**

( )

The provisions of Federal Law No. (8) of 1984 concerning Commercial Companies and its amendments shall apply to any matter that has not been covered by the Company's Memorandum of Association or these Articles of Association.

( )

**Article ( 67)**

( )

The expenses and other charges paid for the establishment of the Company shall be deducted from the account of the general expenses.

**Article ( 68)**

( )

In case of any conflict between the Arabic text and the English text of these Articles of Association, the Arabic text will prevail.

**Article (69)**

( )

These Articles shall be lodged and published in accordance with the Law.

**Article ( 70)**

(    )

Unless the context otherwise requires, the enforcement of any of the provisions of these Articles of Association shall not be restricted to the provision of other Articles or any conclusions drawn therefrom. In the event that any of these Articles or part thereof is found unlawful or unenforceable, the provisions of the other Articles will remain valid.



**FINANCIAL ADVISOR, LEAD MANAGER & BOOK RUNNER**

SHUAA Capital psc  
Emirates Towers, 28<sup>th</sup> Floor  
Sheikh Zayed Road  
P.O. Box 31045, Dubai  
United Arab Emirates

**CO- LEAD MANAGER**

Millennium Finance Corporation  
DIFC, Dubai International Financial Centre  
The Gate, East Wing – 2<sup>nd</sup> Floor  
P.O.Box 125952, Dubai  
United Arab Emirates

**LEGAL COUNSEL FOR THE TRANSACTION**

Al Tamimi & Company  
Dubai International Financial Centre  
6th Floor, Building 4 East  
Sheikh Zayed Road  
PO Box 9275, Dubai  
United Arab Emirates

**AUDITORS FOR THE TRANSACTION**

Deloitte & Touche  
701 Corniche Plaza II  
P.O. Box 5470, Sharjah  
United Arab Emirates

development which will encompass the Burj Dubai tower, expected to be the tallest in the world. Emaar has taken a strong drive towards regional diversification, with the announcement of multi-billion dollar joint venture developments in countries such as Saudi Arabia (King Abdulla Economic City), Morocco (Bahia Bay) and Egypt (Cairo Heights).

The other two major Dubai developers are Dubai Properties, which is building the US\$20 billion Business Bay project in Dubai, and Nakheel, the developers of the Palm Islands, the World project and the US\$20 billion Dubai Waterfront development. Both of these entities are government-owned and focus primarily on Dubai-based projects. However due to the size and scope of these developers, they factor as significant players on the regional competitive horizon. This is evident from the recent announcement of the US\$2 billion Amwaj Development mega-project in Morocco by Dubai International Properties, a sister company of Dubai Properties that is also owned by the Government of Dubai.

The other major MENA player that has undertaken regional expansion is Solidere, which is the developer that is responsible for the multi-billion dollar Beirut Central District. The parent company recently announced a new venture and the establishment of Abdali Investment and Development which will oversee the US\$1 billion Abdali Urban Regeneration project in Amman, Jordan.

Though there are few truly regional players in the MENA property development sector, each of the markets of the MENA region has significant local players that are often either government-owned or have a considerable level of government support. In the GCC economies, local players have taken on large-scale community projects and represent a sizable form of competition. Within the UAE itself, Abu Dhabi has also established itself as a major market force with companies such as Aldar Properties, which is developing the US\$14.7 billion Al Raha Beach development. In Qatar, the United Development Company is building the US\$2.5 billion Pearl Qatar development. In Bahrain, local entities are building the US\$1.2 billion Durrat Al Bahrain resort, US\$1.5 billion Bahrain Bay development and the US\$1.3 billion Bahrain Financial Harbor. In Oman, Al Sawadi Investment and Tourism Company is developing the US\$15 billion Blue City.

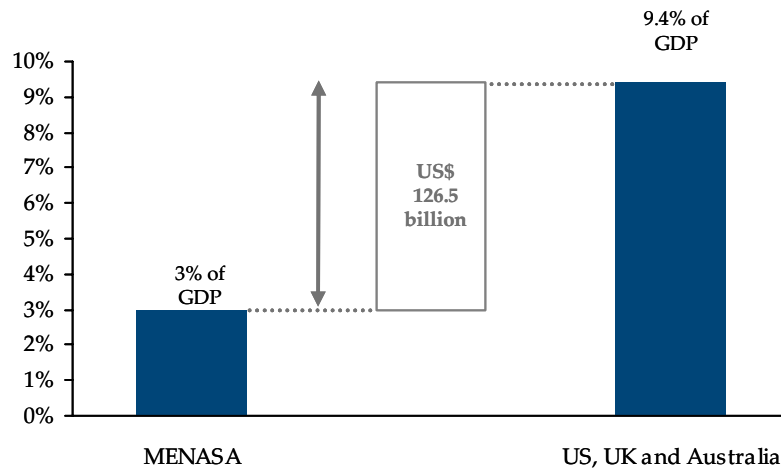
Outside the GCC, certain markets of the Levant and North Africa region have been beneficiaries of the tremendous growth generated by the GCC economies in recent years. Countries such as Syria have seen major investments from GCC-based companies, where Dubai-based Bonyan International Investment Group is developing the US\$15 billion Syria Bonyan City.

Within the UAE, there are also other local private players that factor as a sizable competitive base. The Al Hanoo Holding Company is a Sharjah-based entity that is developing the US\$4.9 billion Nujoom Islands. In Ras Al Khaimah, RAK Properties is developing several projects including the US\$5 billion Port of Arabia and the Al Jais Mountain Resort. Umm Al Quwain is also on the competitive horizon with Tameer Holding, which is building the US\$8.3 billion Al Salam City which shall house over 500,000 residents.

### ***Mortgage Market Growth***

The mortgage markets in the region are currently in the nascent stages of their development. The size of these markets suggests that they are clearly underdeveloped by global standards, accounting for only 3% of GDP. In the Western economies of the US, UK and Australia, these markets account for an average of 9.4% of GDP. Applying global standards would imply a growth potential of US\$126.5 billion for the mortgage markets of the MENASA region.

**Table:** Mortgage Market Potential in MENASA Region



Source: EIU 2005

Regional governments are actively promoting the mortgage and real estate financing industry through liberalization of regulations and incentives. The recent emergence of Islamic mortgage and property financing products should also have an impact on the adoption of these products. One indication of the lack of competition in regional mortgage markets is the level of mortgage rates. Mortgage rates in the region are around 8.3%, which is relatively high when compared to more developed markets such as US, UK, and Australia where rates are closer to 6.3%. As mortgage markets develop and further competition leads to a reduction in rate levels, a consequent increase in real estate demand can be expected.

### **Supply-side Dynamics**

Property developments in the MENA markets range from upscale housing projects, mixed-use communities and resort properties to all-encompassing commercial zones and elaborate tourist attractions. The dynamics of the specific developments are highly dependent on the trends and demographics in the local markets.

#### ***Competitive landscape***

The competitive environment of the MENA real estate sector is primarily made up for a few large players with a regional focus, and a number of other players that focus on their home market. The trend of large scale community projects and “mega-projects” began with the Palm Islands in Dubai, of which there are now three. Dubai has been on the leading edge of most major developments in the region and thus it would be expected that the largest real estate developers in the MENA region would be based there.

The first of these is Emaar Properties, which established itself with notable developments in Dubai such as the Emirates Living community, Dubai Marina and its upcoming Downtown Dubai flagship



broaden their revenue base. Real estate infrastructure and development projects have been a major recipient of oil revenues in the GCC. The government of Saudi Arabia, with expected oil revenues of US\$203 billion for 2006, is directing expenditures in mega projects in-line with the significant number of mega-projects being developed throughout the region. These developments are expected to attract both tourists and investors in the longer-term. In addition, as the windfall oil profits generated by certain economies spill over into other parts of the Middle East, regional tourist economies such as Lebanon, Egypt, Syria and Jordan will benefit from the strong economic performance of their oil producing counterparts.

Overall, in the medium term, oil revenues will continue to be the region's primary growth engine while investment diversification into different sectors such as industrial manufacturing and real estate development will create structural changes that will provide sustainable growth on a longer-term horizon.

### ***Population and Demographics***

The population in the MENA region has grown at an average of around 2% from 2000 to 2005, and it is forecasted to grow at a CAGR of 1.9% from 2006 until 2008, with an expected population of over 400 million in 2008.

As an example, the UAE has witnessed a rapid increase in population at a CAGR rate of 7.3% from 1999 to 2004. According to the Population Division of the Department of Economic and Social Affairs in the United Nations, the UAE has one of the highest population growth figures in the world; the main factor of this significant growth is international migration. Expatriates in the UAE represented around 80% of the total population in 2005, with a 7.8% CAGR growth in 2006 and 2007, and a forecast expatriate inflow of around 300 thousand in 2008. The expatriate community is a remarkable factor for real estate demand in the country, representing a major segment of the country's population.

In addition to macroeconomic factors, certain MENA and South Asian markets also possess advantageous demographic trends such as growing disposable income, increased urbanization and a young population base. Though trends vary, market demographics coupled with the general macroeconomic growth validate the growth of the real estate sector and suggest considerable future scope.

**Table: UAE Population (demographics)**

<i>(Million)</i>	2002	2003	2004	2005(E)	2006(E)	2007(F)	2008(F)
Population	3.8	4.0	4.3	4.6	4.9	5.2	5.5
Growth	7.6	7.6%	6.9%	8.0%	7.0%	6.0%	5.5%

*Source: EIU*

GDP of US\$370 billion<sup>15</sup> in 2006 and an expected growth of 4.2% in 2007. Population has increased at a CAGR of 2.1% from 2000 to 2005, to an estimated population figure of 69.6 million in 2005. Turkey received 17.2 million<sup>16</sup> tourists in 2004 and forecasts growth to 30 million visitors in 2010.

The Turkish real estate market witnessed an active year in 2005 with a remarkable increase in residential real estate developments. Recent legislation taking effect in January 2006 has allowed foreign nationals' ownership in the Turkish real estate, with few minor restrictions. This is also expected to boost investments in the country's real estate sector by foreign investors and real estate developers. The net foreign direct investment inflows to Turkey reached US\$2.879 billion<sup>17</sup> in 2005 of which US\$523 million was invested in the real estate sector. The economic growth and higher median income levels are leading indicators of an expanding real estate market. Demand for residential units is forecasted to grow at a CAGR of 2.2% until 2010. The total demand for housing is expected to reach 5 million<sup>18</sup> units in the period between 2000 and 2010, however only 1.3 million units had been supplied by the construction market as of the end of 2005. Taking into consideration the rate of population growth, urbanization and migration, it is estimated that there is an annual demand for 400,000 units per annum, of which only 200,000 are being supplied with a shortage of at least 200,000 dwellings<sup>19</sup>. This demand is partially met by the illegal construction of residential units. According to the State Planning Organization, only 26% of the housing requirement is met legally. The real estate market will require a substantial amount of investment until the year 2010 in order to reach equilibrium in the market. With economic growth and structural reform driven by prospects of EU accession, it is expected that Turkey will attract a large number of investments in the real estate sector over the next several years. Lower interest rates have also helped boost the real estate sector and increase demand for housing units, although mortgages markets are still in their infancy.

## **Demand Specific Factors**

Demand for housing in the Middle East region mainly stems from population growth and the fact that, primarily in the GCC, large expatriate communities have been present for the past 20 years. Besides population growth, economic prosperity, demographics, the legal environment and the availability of mortgages are all factors that support the growing demand for housing.

### ***GDP***

The countries of the Middle East region are primarily developing economies with significant growth potential. These rapidly-expanding markets demonstrate macroeconomic indicators which rank as some of the highest in the world. South Asian markets such as India and Pakistan have experienced nominal GDP growth from 9% to 11%, due to vigorous economic growth and increased foreign direct investment. GCC countries such as the UAE and Qatar lead the world in terms of population growth, primarily facilitated by various government initiatives geared to attract a productive population base to fuel future economic growth.

Economic performance in the MENA region is highly dependant on oil production and prices among other factors. Recently, the region experienced exceptional economic growth as oil prices reached historical highs. Over the last three years, economic growth in the region has averaged 5.7 % per year and is projected to slightly increase in 2006 and 2007.

In general, the GCC economies are expected to experience above average growth over the next 20 years because of expected high oil prices with Saudi Arabia, the country with the largest proven oil reserves in the world, leading the growth at 6.5% in 2007. As they grow, GCC countries are diversifying their economies away from the oil sector to lessen dependency on oil revenues and

---

<sup>15</sup> Deutsche Bank Research

<sup>16</sup> World Travel Association

<sup>17</sup> Undersecretaries of Treasury- General Directorate of Foreign Investments (UT-GDFI)

<sup>18</sup> SPO, Turkish Statistics Institute

<sup>19</sup> Mortgage Financial Gazette, November 2006

the Beirut Central District, the country's largest development. However in the early 1990s many developers failed to cash in on the construction boom, as some built without regard to real demand. The real estate sector picked up in 2004 with petrodollar investments pouring from the GCC oil states, leading to a hike in land and housing prices in the Beirut area. Demand remains strong for real estate in Lebanon, despite the recent war in July 2006, due to forecast growth trend in the real estate prices in the long run.

### *India*

India's economic liberalization in the early 1990s has played a vital role in boosting the country's economy. India has experienced rapid economic growth, with an average GDP growth of over 8%<sup>12</sup> per annum between 2003 and 2005, and the government is forecasting an 8% economic growth in 2007. The country's debt to GDP ratio is relatively low compared to other developing economies, with current account deficit expected to decrease in 2007, and inflation figures forecast to settle on an average of 5-5.5% in 2006 compared to 2004-05 inflation of 8-9%. Favourable demographics is also an important factor that enhances the country's economic performance and increase demand for properties and variable services, with a population accounting for 16% of the global population and totalling 1.08 billion in 2005. According to a census in 2001, 33% of India's population is below 15 years old, and it is expected that by 2016, 65%<sup>13</sup> of the population will be of a working age. With an established pool of technicians and engineers, India has become a remarkable labour source for the IT workforce worldwide with some 200,000 engineers graduating from India's universities each year.

The Indian real estate market is in a transition period, following the Indian government announcement of landmark legislation in February 2006 which, allows foreign direct investment in the Indian real estate market. With a US\$12 billion real estate investment in 2005, Merrill Lynch forecasts that the real estate sector will grow into a US\$90 billion in 2015. For years, India was lagging behind in the real estate sector. Despite the inherent potential, the real estate market in the country was characterized by lack of institutional funding support and absence of world-class developers. There has been a shift in the market, triggered by various factors. The measures taken by the Central Government and various State Governments are first and foremost among those triggers. In 2005 the government decreased the minimum requirement for land investment by foreigners from 100 acres to 25 acres, providing new opportunities for developers to invest in the Indian real estate market. In 2006 the government of India lifted restrictions on foreign investments by allowing 100% foreign investment in the real estate sector. The easing of Foreign Direct Investment (FDI) restrictions has motivated several GCC developers to initiate operations in India, including Emaar and ETA Star, as well as major global real estate developers. Housing finance rates have settled down in the past decade, from 15% in 2000 to 7.5%<sup>14</sup> in 2005, easing up credit availability, increasing consumer purchasing power, and creating a new favorable attitude for home ownership. The construction sector has also witnessed sizeable growth as more real estate developments are carried out by private developers with an expectation of continued high growth in the long run. The Indian real estate market is forecasted to experience continuous growth, as estimates by U.N. Population Division indicate that India's urban population will grow at the rate of 2.5% per annum for the next 25 years; there is an estimated shortage of around 9 million housing units in urban areas at present.

### *Turkey*

Turkey is a renowned tourist destination, with favorable climatic and environmental conditions, in addition to its famous historic, cultural, and entertainment attractions. The country entered a new phase of economic development after the 2001 financial crisis. With a new economic plan in action, the Turkish economy grew at a CAGR of approximately 7.5% from 2002 to 2005 with an expected

---

<sup>12</sup> EIU (2006)

<sup>13</sup> PWC Report

<sup>14</sup> Business Week, (July 11 2005)

### ***UAE: Abu Dhabi***

Abu Dhabi is expected to continue to suffer from a supply shortage in the residential real estate market at least up to 2009. The current occupancy levels in Abu Dhabi city are extremely high, with most areas showing full occupancy levels. Rents in Abu Dhabi city have increased by an estimated 25% annually since 2004.

The first large scale residential deliveries in Abu Dhabi are expected to take place in 2008 when around 11,000 units are expected to be handed over, however this figure is still expected to fall short of additional demand which is projected at around 24,000 units. In comparison, the 2009 residential supply is estimated to be a remarkable 150,000 units assuming no delays in construction. The predominantly community-based units are expected to offer much higher standards than what currently prevails in Abu Dhabi. As such demand for them is likely to be high, yet the impression is that these units are predominantly targeting the high-income bracket. Average rental rates in Abu Dhabi are expected to continue increasing until 2010, at a pace well in excess of the 7% cap put in place earlier this year.

The Abu Dhabi commercial property segment has seen rents increase by an estimated 100% since 2002, with office space currently estimated to be at full occupancy levels. Going forward, it is estimated that additional annual demand in 2007 for office space in Abu Dhabi is expected to reach around 312,000 sq ft while new supply is expected to be around 161,000 sq ft. A shift in the Abu Dhabi commercial property market is expected in 2009, provided that all announced projects are completed on time. Most of this supply is expected to be of high international standards. As a result, existent secondary grade office space in Abu Dhabi is likely to suffer from migration, as companies move offices to more adequate space located in well-defined business districts. Currently, Abu Dhabi city is unusual in that it does not offer a defined business district. We expect this new supply to result in adjusted occupancy rates and enforce a softening in rental rates of existing secondary grade supply with poor location and facilities.

### ***Lebanon***

Lebanon's economy is closely linked with the political environment in the region and within the country itself. A small economically open developing country on the Mediterranean Sea, Lebanon's economy started reviving just after the end of the 15 year sectarian civil war which destroyed the country. The instability in the local political arena has affected the country's economic growth, with a 0.1%<sup>9</sup> growth in real GDP in 2005 and an expected negative growth rate of -5%<sup>10</sup> in 2006. Lebanon's economic activity primarily depends on the services sector accounting for 70% of total GDP in 2002. The capital city of Beirut remains a regional banking centre and an attractive investment pool for real estate, hospitality and the services sectors in spite of the instability in the local political arena. The tourism industry is expected to grow by 6.2%<sup>11</sup> in 2006, and a forecast growth of CAGR of 4.4% from 2007 until 2016. Tourism accounts for 3% of GDP in Lebanon, and tourism investments totalled US\$445.1 million in 2006 representing 12% of total investments in the country. Tourism in Lebanon is correlated with political stability in the country and the region, thus with the easing of political turmoil, Lebanon has a potential of becoming a leading regional tourism attraction.

Although the political instability has affected the overall macroeconomic performance in the country, the real estate sector has illustrated growth, especially in the downtown district with expectation of long term stability and hike in real estate prices in the country. The real estate sector in Lebanon witnessed a turning point in the early 1990's after the halt of the Lebanese civil war, with the government's plans to rebuild the destroyed areas and reconstruct the country's infrastructure. Solidere, the first multi-billion dollar mega project in the region had focused on the reconstruction of

---

<sup>9</sup> EIU

<sup>10</sup> CIA World Fact Book

<sup>11</sup> World Travel & Tourism Council

scale of growth and significant interest which was generated by allowing foreign ownership marked a new height in real estate investments of the region. A related driver is also a preference for real estate investments on the part of Arab investors. The preference for this asset class is partly cultural, as Sharia law prohibits Muslim investors from receiving interest on funds held in banks and consequently real estate becomes a preferred asset class, and partly because it is viewed as a tangible, sustainable and safe investment.

Although Dubai has led the property boom in recent years, today other GCC countries also offer attractive development opportunities. Qatar is currently undergoing a substantial economic boom and population growth rates are second only to the UAE, with a large number of executive-level expatriates gathering there as an increasing number of international companies set up operations. Often compared to Dubai 5-7 years ago, the demand for residential and commercial property is very strong, especially in the capital, Doha. Similar to Dubai, the emergence of freehold legislation in Qatar is one of the major drivers of real estate demand.

Another strong market, with the largest upside potential, is Saudi Arabia. With a population of over 20 million, Saudi Arabia is the most populous nation in the GCC. The relatively new real estate law implemented in 2000 allows non-Saudi residents to own property for private use, subject to approval from the Ministry of the Interior. Foreigners are also allowed to own property related to their business activities. The major real estate development in the country is the US\$26 billion King Abdullah Economic City located in the city of Jeddah. Saudi Arabia's real estate sector has the largest potential out of all regional markets due to discussions about further opening real estate ownership to foreigners in order to pump liquidity into the market and the government's intention to invest extensively into the sector over the next 20 years.

#### ***UAE: Dubai***

Market data suggests that around 125,000 residential units will be delivered in the Dubai market between 2007 and 2009. Demand for residential units in Dubai is projected to grow steadily driven by the positive economic environment and the continued growth of the Dubai population. Although demand in the secondary market is expected to soften slightly in 2007 and 2008, it is anticipated that demand driven by Dubai's economic growth will stabilize the market thereafter. It should be noted that the softening of the secondary market will lead to market consolidation whereby one-tower developers will most likely be driven out by the larger players.

It is also expected that supply of residential units may precipitate migration across income-linked occupier segments as softened high-income unit rents become affordable for mid-income occupiers and single-occupancy residents upgrade to more up-market units through the substitution economic effect. By a similar token, new supply and increased affordability may also precipitate those currently co-habiting residents to occupy single-occupancy units, for single-occupancy residents to occupy larger units or for those currently driven to live in Sharjah while working in Dubai to afford moving to Dubai through the real income economic effect.

The Dubai commercial market has seen demand outpacing supply over the last four years, while office rents increased by more than 100%. The demand for space in Dubai has led to full occupancy levels in most primary and secondary grade office space. During 2007, there is expected to be an additional 10.5 million sq ft of Central Business District ("CBD") office space in Dubai.

Geographical location strengths and weaknesses will serve to skew commercial property performance results in favour of certain master-planned and private developments. As such some of the stronger office property investments shall continue to perform favourably, while other, weaker developments are likely to suffer.

increasingly affluent, in addition to a rapidly expanding private sector and increased foreign direct investment. The result of these factors has been a considerable level of demand for market-specific real estate products such as self-contained township developments, premium resort properties, and community housing projects.

Real estate is generally divided into two categories: (1) residential developments such as apartments and houses, and (2) commercial developments including offices, medical centers, hotels, malls and retail stores and industrial properties. Drivers supporting demand for housing are the same across the region, though markets are at different levels of maturity. Population growth, economic prosperity, positive demographics, the legal environment and the availability of mortgages are all factors that are driving the growth in demand whether for owning or for leasing residential developments. As an example, the table below outlines regional population growth in the Middle East and North Africa ("MENA") region which has shown consistent growth from 2000 to 2006.

**Table:** Estimated Value of Announced Real Estate Mega Projects Across the MENA

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Population (m)	333	343	346	353	360	366	373	381	388	396
World Share (%)	5.6%	5.7%	5.7%	5.7%	5.8%	5.8%	5.9%	5.9%	6.0%	6.0%

Source: EIU

### **GCC Region**

In the MENA region, the countries of the Gulf Cooperation Council ("GCC") have witnessed the most significant changes in recent years. GCC governments have been investing a sizeable portion of their windfall oil profits in short- and long-term infrastructure to establish and develop sustainable growth in industries such as real estate and tourism, as part of an effort to reduce dependency on oil revenues. As countries broaden their economic base, investments in the real estate sector now account for approximately 9% of regional GDP<sup>7</sup>. Besides direct investments into the sector, governments in many of the region's countries have also supported the growth process by facilitating private investments into the sector with the introduction of investor friendly regulations such as legislations on freehold and leasehold laws for non-Nationals. In addition, the combination of high oil prices and a significant repatriation of capital following the events of September 11 from the United States, re-directing private wealth back into the GCC region, created huge liquidity levels in regional markets. Against a background of low interest rates and positive future economic growth prospects, real estate development underwent and continues to experience a massive boom.

In the region, the UAE is currently the fastest growing real estate market with an estimated US\$260 billion<sup>8</sup> invested in mega projects, accounting for approximately 60% of total MENA investments. The majority of these projects are in Dubai and Abu Dhabi where the total value of investment is US\$150 billion and US\$76.5 billion respectively.

The construction boom in the UAE actually began in 1973 with the rise in oil prices and the subsequent increase in government revenues and private wealth. During those early years, non-oil activity focused mostly on developing the country's infrastructure and the construction of residential and commercial buildings. Infrastructure development was a priority particularly in Abu Dhabi and Dubai. This led to large investments in civil projects including oil and gas, power and desalination, roads, bridges, telecommunication networks, and water distribution. In the earlier part of the decade the concept of building large community-type developments was developed by the Dubai government through mega projects such as the Palm islands, Emirates Living and Dubai Marina. The

<sup>7</sup> UBS Wealth Management Research (Jan 2006)

<sup>8</sup> Zawya and Gulf News, (2006)

## REAL ESTATE SECTOR OVERVIEW

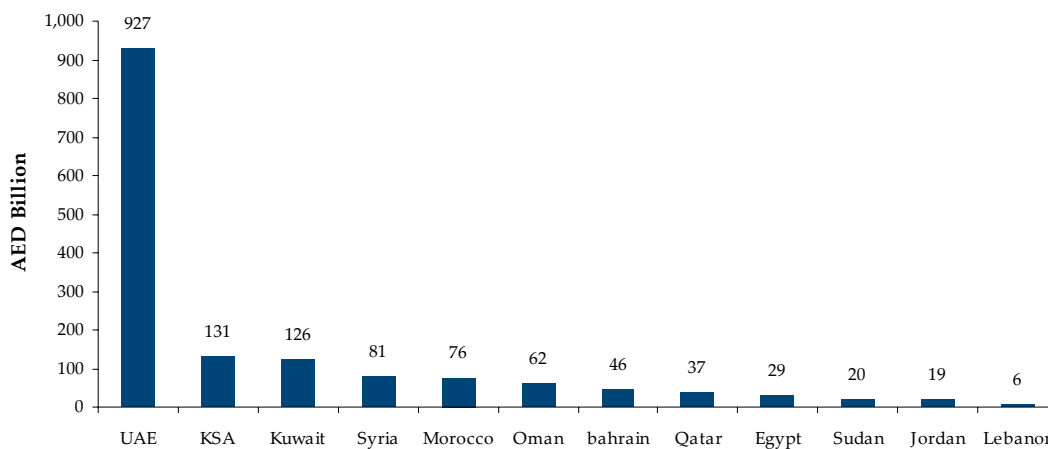
*Information contained in this section has been compiled from different sources, including but not limited to SHUAA Capital's Research reports, specialized industry studies, and other public information made available to SHUAA Capital during the course of its review.*

### Overview

Real estate markets in the Middle East region have experienced tremendous growth over the last few years. Robust macroeconomic growth, positive demographic trends, and growing tourism activities have resulted in unprecedented opportunities in the Middle East property development sector. Governments in many of the region's countries have supported the growth process with the introduction of investor friendly regulations, promotion of mortgages and other financing instruments, and the commitment of a significant amount of capital towards infrastructure development. With the continuing trend of high oil prices creating momentum for change in the Middle East, most countries have sought to diversify their economic base and have focused on developing other sectors, including real estate and tourism.

On the supply side, the availability of liquidity and the drive of infrastructural developments by governments have all been factors contributing to the growth of regional real estate markets. Mega projects are real estate investments with a minimum value exceeding US\$500 million, and total active and planned real estate mega project investments in the MENA is currently estimated at US\$437 billion<sup>5</sup>. To put this into perspective, the total value of announced real estate mega projects is equivalent to 53% of the regional GDP in 2005 (US\$808.7 billion<sup>6</sup>).

**Graph:** Estimated Value of Announced Real Estate Mega Projects Across the MENA



Source: Zawya and Gulf News (2006)

In addition, the easing of government regulations on foreign investment in the real estate sectors of certain South Asian and European markets along with the availability of mortgage financing have also led to substantial development particularly in countries such as India and Turkey. These growing economies have large populations, with a growing middle class that is becoming

<sup>5</sup> Zawya and Gulf News, (2006)

<sup>6</sup> Zawya, (2006)

Project	Description
---------	-------------



**Deyaar  
Square**

The Deyaar Square project is a commercial tower in Barsha, near Mall of the Emirates. This project is also part of Deyaar's leasable projects, and it is expected to be completed in May 2009.



**51 @ Business  
Bay**

This project is for mixed use, both residential and commercial, and is situated in the Business Bay, Dubai. The total number of units shall be 164 and construction is planned to begin in May 2007, and it is expected to be completed in September 2009.

Lebanon Project	Description
-----------------	-------------



**Solidere  
Saifi  
Village**

This residential luxurious project is situated in downtown Beirut City. The project consists of two-bedroom, three-bedroom, four-bedroom, duplex, and triplex apartments. The top floors of each block are penthouse apartments designed like independent villas.



**Solidere,  
Block 18**

This is a residential project situated in Beirut. The project began construction in November 2006 and shall consist of 47 units. The Block 18 project is expected to be completed in December 2009.






Turkey Project	Description
----------------	-------------



**Gulpinar  
Villas**

This project is comprised of 110 luxurious semi-detached villas ranging in size from 1,850 sq ft to 2,850 sq ft. The villas are located 40 km outside Istanbul, approximately 20 minutes from the airport. The villas are built according to new earthquake regulations.



Project	Description	
	<u><b>DIFC</b></u>	The iconic DIFC project is set in the new business district of Dubai. This project shall be partially residential and partially commercial. Construction on this project began in November 2006 and it is expected to be completed in April 2010.
	<u><b>Madison</b></u>	A residential building set strategically between the 4 <sup>th</sup> and 5 <sup>th</sup> interchange of Sheikh Zayed Road in Dubai, the Madison project is a 26 storey building having the choice of studios, 1 and 2 bedroom apartments with luxury standards. The Madison tower is 1.5 km from Mall of the Emirates and 2 km from Emirates Golf Club, with close proximity to Burj Al Arab and Madinat Jumeirah.
	<u><b>Hamilton</b></u>	This project is situated in the hub of Business Bay. It is a 16-storey luxury residential tower offering 1 bedroom apartments.
	<u><b>Metropolis</b></u>	A commercial building set in the heart of Business Bay, this project offers a total built-up area of 629,749 sq ft. The project is set to be completed by January 2009.
	<u><b>Deyaar Tower, Port Saeed</b></u>	This project is a commercial tower situated in Deira. The Port Saeed tower shall be one of the Company's leasable projects. The project is expected to be completed in September 2008.

## CURRENT PROPERTY PORTFOLIO

Below is a summary of Deyaar's current project portfolio:

Project	Description
---------	-------------

### *Completed UAE Projects*



**Al Seef Tower 1**

This project is a 43-storey building which comprises penthouse-design luxury (6,000 sq ft plus), three-bedroom (3,000 sq ft plus) and two-bedroom apartments (1,900 sq ft plus). It overlooks the Emirates Golf Course and the Palm Island project and was completed and delivered in April 2005.



**Hor Al Anz**

This project is a primarily residential tower, with a commercial component, in the Deira area of Dubai. This project began construction in February 2004 and was successfully delivered in April 2005. Hor Al Anz has been successfully sold.

### *Current UAE Projects*



**Al Dana**

This project offers a 40-storey residential tower in Sharjah. Located along the Sharjah corniche, this tower offers luxury residential apartments with a view of the Dubai skyline. The anticipated completion and delivery date is in June 2007.



**Al Seef Tower 2**

This tower is situated in Jumeirah Lake Towers. The tower is comprised of 39-storeys and consists of 228 apartments. The tower offers two and three bedroom apartments, ranging from 1,600 sq ft to 2,700 sq ft, as well as penthouses scaling over 5,200 sq ft. The anticipated completion and delivery date is in October 2007.



**The Citadel**

This project is set in the new business area of Dubai, Business Bay. This tower will be 45 floors and designed for luxurious office space providing futuristic facilities and state-of-the-art technology.

## LEGAL MATTERS

The following summary is qualified by the relevant provisions of the Company's Articles of Association and the UAE Commercial Companies Law.

### *Establishment*

The Company will be established as a public joint stock company prior to listing. All assets and liabilities of Deyaar Development PSC will be carried on by the PJSC in accordance with the directions of the UAE Ministry of Economy. The Company's Articles of Association referred to here are the Articles of Association which the PJSC will adopt.

### *Articles of Association*

The Company's Articles of Association describe the rights and obligations associated with the ownership of the Shares in detail. The Company will be established as a public joint stock company under the provisions of the Commercial Companies Law.

### *The Company's Capital Stock*

The capital of the Company is AED5,778,000,000 divided into 5,778,000,000 Shares of AED1.00 each.

### *Voting Rights*

Each Shareholder shall have the right to attend the General Assembly of the Shareholders and shall have a number of votes equal to the number of his Shares.

### *Share Register*

Upon listing on the DFM, the Shares will be dematerialised and the share register will be maintained by the DFM.

### *Dividends*

As per page 45.

### *General Assembly*

The Board of Directors may convene an Ordinary General Assembly whenever it deems necessary. In any event, the General Assembly must convene at least once a year upon an invitation by the Board of Directors within the four (4) months following the end of the financial year at the place and the time specified in the invitation to the meeting.

### *Board of Directors*

The Company's Board of Directors will be composed of nine (9) members, to be elected by the General Assembly of Shareholders for a period of three (3) years. The majority of the Directors, in addition to the Chairman, should be UAE nationals. As an exception, and as permissible by the Commercial Companies' Law, the Founders have named the following individuals as Directors of the Company's first Board of Directors that will serve for a period of three (3) years from the date the Company is incorporated:

## **DIVIDEND POLICY**

The Company is expected to adopt a dividend policy of distributing at least 25% of its net income as dividend payments, subject to bank financing, working capital and capital expenditure requirements. Dividend payments will be upon the recommendation of the Company Board of Directors and the approval of the General Assembly of Shareholders.

Dividends (profits) accumulated during the period from January 1, 2007 to the date of incorporation of the Company as announced by the respective regulatory authorities will be distributed by the Company to the Shareholders of Deyaar Development PSC. In the event that the proceeds from Offering Costs exceed the costs of establishing the Company, then the excess will be registered as income in the Company's register.

## **AUDITORS**

The Company expects to retain the services of Ernst & Young as auditors following the establishment of Deyaar Development PJSC. The auditors of Deyaar Development PJSC will be formally appointed at the first Annual General Meeting of the Company.

### ***Current Liabilities***

Current liabilities amounted to AED1,121.9 million as at December 31, 2006, representing 80.3% of total liabilities, compared to AED82.4 million as at December 31, 2005, representing 29.5% of total liabilities.

The increase in accounts payable and accruals is mainly due to the increase in accruals on purchase of properties.

Accruals on purchase of properties amounted to AED965.2 million as at December 31, 2006, representing 69.1% of total liabilities.

### ***Non Current Liabilities***

Non current liabilities amounted to AED275.9 million as at December 31, 2006, representing 19.7% of total liabilities, compared to AED197.3 million as at December 31, 2005, representing 70.5% of total liabilities.

The entitlement of employees' end of service benefits is based upon the employees' 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. This account is included in non-current liabilities and amounted to AED4.4 million as at December 31, 2006 compared to AED2.6 million as at December 31, 2005.

Non-current retentions payable amounted to AED35.5 million as at December 31, 2006 compared to AED14.8 million as at December 31, 2005.

Non-current Islamic finance obligations amounted to AED235.3 million as at December 31, 2006 compared to AED179.8 million as at December 31, 2005. These obligations represent four Istisna' facilities obtained from Dubai Islamic Bank PJSC. The facilities were used to finance the construction of the properties under construction.

Term loans amounted to AED0.7 million as at December 31, 2006 compared to AED0.1 million as at December 31, 2005. The loans were obtained to finance the purchase of motor vehicles.

### ***Shareholders' Equity***

As at December 31, 2006, Shareholders' equity amounted to AED1,636.3 million, an increase by AED915.9 million compared to December 31, 2005.

This increase is mainly due to the incorporation of the Company's end of year results (AED412.6 million), the proposed scrip dividends (AED560.0 million) and the increase in share capital (AED500.0 million).

The board of directors has proposed a scrip dividend amounting to AED560.0 million through the issuance of 5,600,000 shares of AED100 each. It should be noted that the company has increased its capital to reach AED1,560.0 million.

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

Deyaar appropriates 10% of its net profit to a statutory reserve as required by the UAE Commercial Companies Law of 1984 (as amended) and the Company's Articles of Association.

## Balance Sheet

**Table:** Summary of key financial position data

(AED Million)	As at,		
	December 31, 2004	December 31, 2005	December 31, 2006
Current assets	360.4	992.0	3,022.1
Non-current assets	360.5	8.1	12.0
<b>Total Assets</b>	<b>720.9</b>	<b>1,000.1</b>	<b>3,034.1</b>
Current liabilities	63.4	82.4	1,121.9
Non-current liabilities	79.5	197.3	275.9
<b>Total Liabilities</b>	<b>142.9</b>	<b>279.7</b>	<b>1,397.8</b>
<b>Shareholders' Equity</b>	<b>578.0</b>	<b>720.4</b>	<b>1,636.3</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>720.9</b>	<b>1,000.1</b>	<b>3,034.1</b>

### Assets

Deyaar's total assets amounted to AED3,034.1 million as at December 31, 2006 compared to AED1,000.1 million as at December 31, 2005.

#### Current Assets

As at December 31, 2006, current assets amounted to AED3,022.1 million compared to AED992.0 million as at December 31, 2005 and consisted of bank balances and cash and prepayments and other assets, accounts and notes receivable and properties under construction.

Bank balances and cash amounted to AED389.5 million as at December 31, 2006, representing 12.8% of total assets compared to AED349.9 million as at December 31, 2005, representing 35.0% of total assets.

Prepayments and other assets amounted to AED211.2 million as at December 31, 2006, representing 7.0% of total assets compared to AED82.8 million as at December 31, 2005, representing 8.3% of total assets. This increase is attributable to the Company's growth since this account is mainly comprised of advances to contractors.

Accounts and notes receivable amounted to AED261.6 million as at December 31, 2006, representing 8.6% of total assets compared to AED22.6 million as at December 31, 2005, representing 2.3% of total assets.

Properties under construction amounted to AED2,159.8 million as at December 31, 2006, representing 71.2% of total assets compared to AED536.7 million as at December 31, 2005, representing 53.7% of total assets.

#### Non-Current Assets

Non-current assets amounted to AED12.0 million as at December 31, 2006 compared to AED8.1 million as at December 31, 2005 and consisted of property, plant and equipment and non-current retentions receivable.

### Liabilities

Deyaar's total liabilities amounted to AED1,397.8 million as at December 31, 2006 compared to AED279.7 million as at December 31, 2005. Deyaar's liabilities are mainly of a current nature.

Revenue from operations for the year ended December 31, 2006 amounted to AED1,057.0 million as compared to AED455.4 million in the previous year, an increase of AED601.6 million or 132%. This increase in revenue from operations was principally due to the increase in sale of properties which accounted for 92.6% of total revenue from operations for the year ended December 31, 2006.

Sale of properties amounted to AED978.2 million for the year ended December 31, 2006 compared to AED441.2 million in the previous year. This increase in sale of properties was principally due to the sales and completion stages of residential and commercial projects in the UAE and Lebanon as well as the opportunistic sale of land.

#### ***Cost of Sales***

Cost of sales for the year ended December 31, 2006 amounted to AED629.9 million (representing 59.6% of revenue from operations) as compared to AED323.4 million (representing 71.0% of revenue from operations) during the previous year.

Cost of properties sold (89.8% of total cost of sales) is the primary cost component for the Company's cost of sales and includes the cost of land and development costs.

The decrease in cost of sales (as a percentage of revenues) for the year ended December 31, 2006 is primarily attributable to operating efficiencies. Cost of properties sold as a percentage of total revenues decreased from 68.3% for the year ended December 31, 2005 to 53.5% in 2006.

#### ***Gross Profit***

The Company's gross profit amounted to AED427.1 million for the financial year ended December 31, 2006 compared to AED132.0 million in the previous year. Gross profit margin increased in the financial year ended December 31, 2006 and amounted to 40.4% compared to 29.0% in the previous year due to the increase in revenues and the decrease in cost of sales as a percentage of revenues.

#### ***Other Income***

Other operating income amounted to AED54.8 million (representing 5.2% of revenue from operations) for the financial year ended December 31, 2006 compared to AED36.2 million (representing 7.9% of revenue from operations) in the previous year. This account consisted of management fees, brokerage, commissions, and maintenance and building association revenues.

#### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses amounted to AED83.1 million (representing 7.9% of revenue from operations) for the financial year ended December 31, 2006 compared to AED37.0 million (representing 8.1% of revenue from operations) in the previous year. The account is mainly consisted of payroll and related expenses and sales and marketing expenses.

#### ***Profit before Tax***

Deyaar realized a profit before tax of AED415.7 million for the financial year ended December 31, 2006 (representing 39.3% of revenues from operations), compared to AED142.7 million in the previous year (representing 31.3% of revenues from operations).

#### ***Profit for the Year***

Deyaar's net profit and net profit margin amounted to AED412.6 million and 39.0% respectively for the financial year ended December 31, 2006 compared to AED140.9 million and 30.9% respectively in the previous year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

*The following discussion relates to the historical financial performance of Deyaar Development PSC, and should be read in conjunction with the audited consolidated financial statements and related notes of Deyaar Development PSC appearing elsewhere in this prospectus.*

### Overview

The following discussion and analysis has been prepared based on audited consolidated financial statements prepared by the international audit firm of Ernst & Young for Deyaar Development PSC and its subsidiaries, in accordance with International Financial Reporting Standards and applicable requirements of United Arab Emirates laws and countries' laws in which the Company operates, as at and for the years ended December 31, 2004, 2005 and 2006 respectively.

### Income Statement

**Table:** Summary Income Statement

(AED Million)	For the year ending		
	December 31, 2004	December 31, 2005	December 31, 2006
Revenues	169.0	455.4	1,057.0
Gross profit	23.2	132.0	427.1
Profit before tax	73.0	142.7	415.7
<b>Profit for the Year</b>	<b>73.0</b>	<b>140.9</b>	<b>412.6</b>

### Revenues

The following table summarizes Deyaar's total revenues by source for the years ended December 31, 2004, 2005 and 2006 respectively.

**Table:** Revenues

(AED Million)	For the year ending		
	December 31, 2004	December 31, 2005	December 31, 2006
Sale of properties	169.0	441.2	978.2
Services income	-	12.5	30.8
Contract revenues	-	1.7	48.0
<b>Total Revenues</b>	<b>169.0</b>	<b>455.4</b>	<b>1,057.0</b>

Deyaar recognizes revenue on sale of plots on the basis of the full accrual method and revenue on sale of apartments on the basis of percentage of completion. Revenue from services is recognized in the period in which the services are rendered. Contract revenues represent the total value of work performed including the estimated sales value of contracts in progress assessed on a percentage of completion method.

The Company's income is generated from two major business segments: (i) Property development activities which principally include property investment and development, brokering and managing and rental of buildings and (ii) Other activities include contract revenues from electrical and mechanical works and service income from supply of labor services.



## SELECTED FINANCIAL INFORMATION

*The following selected financial information should be read in conjunction with the audited financial statements and related notes and historical information appearing elsewhere in this Prospectus.*

The following selected financial information set forth is based on audited consolidated financial statements prepared by the international audit firm of Ernst & Young for Deyaar Development Company PSC on a consolidated basis as at and for the years ended December 31, 2004, 2005 and 2006 respectively. The Company's financial year begins on January 1 and ends on December 31 of each year.

**Table: Summary Income Statement**

(AED Million)	For the year ending		
	December 31, 2004	December 31, 2005	December 31, 2006
<b>Revenues</b>	169.0	455.4	1,057.0
Cost of sales	(145.8)	(323.4)	(629.9)
<b>Gross Profit</b>	<b>23.2</b>	<b>132.0</b>	<b>427.1</b>
Other income	11.8	36.2	54.8
SG&A	(15.9)	(37.0)	(83.1)
Income from deposits	1.5	11.5	16.9
Gain on sale of investment property	52.4	-	-
<b>Profit before Tax</b>	<b>73.0</b>	<b>142.7</b>	<b>415.7</b>
Income tax expense	-	(1.8)	(3.1)
<b>Profit For the Year</b>	<b>73.0</b>	<b>140.9</b>	<b>412.6</b>

**Table: Summary Balance Sheet**

(AED Million)	As at		
	December 31, 2004	December 31, 2005	December 31, 2006
<b>Assets</b>			
Current assets	360.4	992.0	3,022.1
Non-current assets	360.5	8.1	12.0
<b>Total Assets</b>	<b>720.9</b>	<b>1,000.1</b>	<b>3,034.1</b>
<b>Liabilities</b>			
Current liabilities	63.4	82.4	1,121.9
Non-current liabilities	79.5	197.3	275.9
<b>Total Liabilities</b>	<b>142.9</b>	<b>279.7</b>	<b>1,397.8</b>
<b>Shareholders' Equity</b>			
Share capital	20.0	500.0	1,000.0
Proposed increase in share capital	480.0	-	560.0
Statutory reserve	7.8	21.9	63.2
Retained earnings	70.2	197.0	7.8
Minority interest	-	1.5	5.3
<b>Total Shareholders' Equity</b>	<b>578.0</b>	<b>720.4</b>	<b>1,636.3</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>720.9</b>	<b>1,000.1</b>	<b>3,034.1</b>

*Dubai International Development LLC*

This is a joint venture whereby Deyaar owns 51% and Gap Insaat Dubai (FZE) owns the remaining 49%. Dubai International Development LLC is a limited liability company established in the UAE and currently has no operations.

## **Subsidiaries**

### *Beirut Bay SAL*

Beirut Bay SAL is a Lebanese joint stock company established on March 9, 2006. There has been no trading activity; however a down-payment has been made for land to be reclaimed as part of the Solidere Phase II.

### *Deyaar (UK) Limited*

Deyaar (UK) Limited is a private limited company established in the United Kingdom. It was registered on April 25, 2006 and currently has no operations. Deyaar UK was established to act as a representative office for Deyaar activities in the UK.

### *Deyaar Cayman Limited*

Deyaar Cayman Limited was established as an Exempted Company, and incorporated in the Cayman Islands with limited liability on December 21, 2006. The proposed business activity of Deyaar Cayman Limited is a special purpose company to invest indirectly in property development projects outside the UAE.

### *Deyaar for Development SA*

Deyaar for Development SA is a joint-stock company established in Lebanon on November 17, 2004. Its only activity in Lebanon consists of representing its main office to identify new financial and investment opportunities. Its registered representative office is at Ibiza Building, Verdun, Lebanon. It employs three members of staff as of November 2006.

### *DIB Tower SAL*

DIB Tower SAL is a Lebanese joint-stock company established on December 21, 2004. There has been no trading activity except with respect to the purchase of a plot in Solidere, Beirut and the commencement of construction activity thereon.

### *Dubai Insaat*

Dubai Insaat, Turkey, is a Turkish limited liability company, established on April 6, 2006. Dubai Insaat's activity thus far has been to purchase and further develop 110 semi-built villas in Gurpinar, which lies on the outskirts of Istanbul.

### *Omega Engineering LLC*

Omega Engineering was registered in the Emirate of Dubai, UAE, as a Limited Liability Company in July 2004. It specializes in the fields of air conditioning, plumbing, and electrical contracting and maintenance works (MEP Works). Omega Engineering LLC has been a subsidiary of Deyaar since November 2005.

### *Deyaar West Asia Coöperatief U.A.*

Deyaar West Asia Coöperatief U.A. was established as a Dutch Cooperative, and incorporated in the Netherlands with limited liability on February 14, 2007. The proposed business activity of Deyaar West Asia Coöperatief U.A. is as a holding company to invest indirectly in a property project in Kazakhstan.

## **Joint Ventures**

### *Arady Developments LLC*

This company is a 50:50 joint venture with Dubai Properties LLC. Arady was incorporated on February 28, 2006 in the UAE and was established for the purpose of investing in real estate, the key project of which is the planned signature project in the DIFC.

## Staff

Deyaar currently has 197 employees, including administrative staff. The following table shows the current staffing levels of Deyaar by function:

**Table: Deyaar's Current Staff by Function**

Headcount of Staff	As of December 31, 2006
<b>Front Office</b>	
Business Development	9
Sales and Marketing	21
Property Management	88
Brokerage	11
<b>Back Office</b>	
Executive Office	5
Finance, Accounts & Legal	20
Operations, HR, IT, and Administration	29
Project Management	14
<b>Total</b>	<b>197</b>

Source: Deyaar

The Company adopts a broad base of training programs capable of developing individual's soft and hard skills, as well as a comprehensive understanding of the Company's business, with an objective of developing people into the future generation of managers and supervisors. In addition, Deyaar has one of the lowest employee turnover rates amongst its competitors at 6% which illustrates the commitment of the Company's staff.

## Corporate Legal Structure

The below table outlines the Company's subsidiary companies:

**Table: Deyaar's Subsidiary Companies**

Company Name	Effective Holding	Country of Incorporation	Date of Incorporation
<b>Subsidiaries</b>			
Beirut Bay SAL	100%	Lebanon	March 9 2006
Deyaar (UK) Limited	100%	UK	April 25 2006
Deyaar Cayman Limited	100%	Cayman Islands	December 21 2006
Deyaar for Development SA	100%	Lebanon	November 17 2004
DIB Tower SAL	100%	Lebanon	December 21 2004
Dubai Insaat	100%	Turkey	April 6 2006
Omega Engineering LLC	55%	UAE	July 25 2004
Deyaar West Asia Coöperatief U.A.	100%	Netherlands	February 14 2007
<b>Joint Ventures</b>			
Arady Development LLC	50%	DIFC	February 28, 2006
Dubai International Development LLC	51%	UAE	January 10, 2005

Source: Deyaar

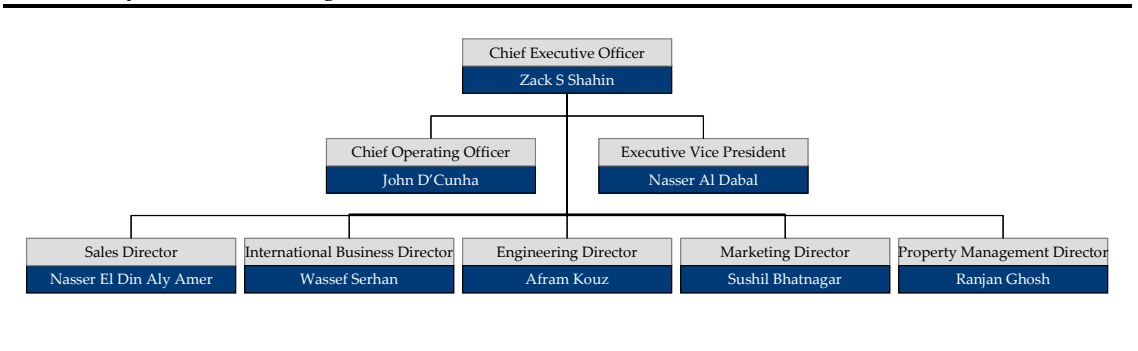
of the FMCG and retail banking sectors in the US, Middle East, North Africa and the Levant markets, has driven Deyaar to new heights of success which is manifested in the Company's unprecedented portfolio growth and performance. Mr. Shahin holds post-graduate degrees in Retail Banking from the University of Wisconsin and a degree in Business Management from Ohio State University.

**Mr. John D'Cunha, Chief Operating Officer:** Mr. D'Cunha joined Deyaar as an Executive Vice President in 2004, and he currently holds the position of a Chief Operating Officer. Mr. D'Cunha complements Mr. Shahin in the complete management of the Company's projects and financial systems. With his broad-ranging experience across all functions of finance, Mr. D'Cunha created a radical new structure which acts as a solid base for Deyaar's growth plans. Mr. D'Cunha has been instrumental in shaping Deyaar's growth at every stage, from creating a unique organizational structure in 2004 and together with Mr. Shahin in shaping the vision for Deyaar which has eventually resulted in its incredible financial performance in 2006. With his vast expertise in finance, planning and risk management, Mr. D'Cunha plays a key role in formulating business strategies. Mr. D'Cunha is a graduate in Economics from India and qualified as a Chartered Accountant. The early years of his career were with American Express where he was involved in business strategy and planning.

**Mr. Nasser Al Dabal, Executive Vice President:** Mr. Al Dabal joined Deyaar in 2004, and, currently holds the position of Executive Vice President. He has played a strategic role in establishing the brand identity of Deyaar both in domestic as well as international markets. With his broadly spaced career, Mr. Al Dabal has demonstrated consistent ability to dramatically identify opportunities, boost sales, and align the organization to consistently deliver customer excellence. He has been pivotal in contributing to the equity of "Deyaar" right through its conception to the strong market player that it is today. From domestic and international business acquisitions to mergers and acquiring and divesting of commercial and industrial facilities, Mr. Al Dabal has always been forthcoming in providing his expertise across all facets of the business. He largely rests his strengths on trust worthy client relationships. Mr. Al Dabal is a graduate in Science from Western Michigan University, USA with a major in Industrial Engineering. Prior to joining Deyaar, Mr. Al Dabal had a successful 12 years with DTCME, Dubai Municipality, and Dubai Ports.

The following illustrates the Company's internal organizational chart:

**Table:** Deyaar's Internal Organizational Chat



Source: Deyaar

Palm Islands, the World project and the US\$20 billion Dubai Waterfront development. All of these master developers are government-owned who focus primarily on Dubai-based projects.

In terms of project developers, the first tier players include Aldar Properties, which established itself with notable developments in Abu Dhabi such as Al Raha Gardens and Yas Island. Another first tier player is Union Properties, which is known for its “UP Towers” and the Green Community, both developments in Dubai. Several of the Dubai based project developers have announced expansion into regional markets.

Whilst the UAE real estate development market is competitive in nature, Deyaar focuses on staying ahead of its competitors. The Company’s pioneering approach facilitated its business expansion and allowed it to be the first UAE non-master developer to break ground in Business Bay, Lebanon and Turkey. In addition, Deyaar further sets itself apart by being an end-to-end provider of real estate services which include brokerage, property management, and sales management.

## Management

The Company has assembled a highly professional and experienced management team. The Company’s senior management team consists of four key individuals who are responsible for Deyaar’s strategic direction and who have considerable experience working in the real estate sector. The following table sets forth the names of the senior members of Deyaar’s management, and their respective positions in the Company:

**Table: Top Management**

Name	Position
H.E. Dr. Mohammed Khalfan Bin Kherbash	Chairman
Mr. Zack S. Shahin	Chief Executive Officer
Mr. John D’Cunha	Chief Operating Officer
Mr. Nasser Al Dabal	Executive Vice President

*Source: Deyaar*

The management team is highly committed to the success of Deyaar. As an example of their commitment to ensure that customer needs are met, the senior management team must approve all architectural layouts and designs for the Company’s projects.

The following provides a brief profile of Deyaar’s senior management:

**H.E. Dr. Mohammed Khalfan Bin Kherbash, Chairman:** H.E. Dr. Kherbash has a high profile and diverse background which is deeply grounded in his knowledge of the region. Dr. Kherbash is currently the UAE Minister of State for Finance and Industry, having served in this position since 1997. Dr. Kherbash is currently the Alternative Governor of the UAE at the IMF, the World Bank, the Arab Fund of Economics and Social Development (Kuwait), the Islamic Development Bank (Saudi Arabia) and the OPEC Fund (Austria). He is also the Chairman of Dubai Islamic Bank. Dr. Kherbash also holds a PhD in Economics from Exeter University in the UK and was a visiting researcher at Harvard University in 1994. He is a deeply respected and trusted citizen of the country and one of the pillars of the community. It is his vision and driving force that has driven Deyaar to conquer and achieve new and greater heights.

**Mr. Zack S. Shahin, Chief Executive Officer:** Mr. Shahin has over 20 years of experience in Brand Building, Franchise Management, Channel Management, and Sales & Distribution Management. Prior to joining Deyaar, Mr. Shahin was Vice President, Retail Banking Mashreqbank, UAE, and Qatar for over 4 years. Earlier in his career he held senior positions in Franchise Management and Sales & Marketing for over 13 years, with PepsiCo Inc. His leadership, strategic direction and vast knowledge

For overseas markets, Deyaar will select its partners with due care and only enter into such relationships with partners who have demonstrated a track record of excellence in the property business and who have a sound financial history. An example of this is the Company's partnership with Solidere, the largest developer in Lebanon.

#### ***Solid Cash Generation and Earnings Growth***

Deyaar has shown strong earnings growth since the Company began operations in June 2003. The Company's track record will provide a strong platform for the Company to continue to deliver strong earnings in the coming years, based on healthy expected property development revenues coupled with expanded real estate related services offerings. Deyaar capitalizes on a solid equity base to support its current operations, with a net worth base of around AED1,636.3 million as of year end 2006. The Company's earnings grew at a compounded annual growth rate (CAGR) of 335% from AED5.0 million in 2003 to AED412.6 million in 2006. The Company's net profit margins also improved significantly from 21.8% in 2003 to 39% in 2006.

#### ***Operating Efficiency***

Deyaar prides itself on having a senior management team that focuses on high operational efficiency in addition to project success and financial performance. This is illustrated by Deyaar having a return on equity (ROE) that has surpassed 30% in the past few financial years. In addition, the Company has a low cost-to-income ratio of 20% compared to industry levels of approximately 25-30%.

#### ***First Mover Advantage into Regional and International Markets***

Deyaar prides itself on staying ahead of the pack and being a pioneer in its business expansions. This is exemplified by the fact Deyaar was the first UAE non-master developer to break ground in Business Bay, Lebanon and Turkey, and the Company will continue to maximize value for shareholders and investors.

#### **Customers**

Deyaar's customer base is comprised of investors, end users, business owners and professionals. In order to maintain customer expectations and to attract new customers, the Company is committed to providing a high-level of customer service, including customer care and responsiveness to ensure that all customer needs are met, through a dedicated call centre and customer care team. Deyaar is also committed to achieving the highest degree of quality for its products, as designs, floor plans and specifications are carefully selected to meet customer requirements.

As the UAE economy continues to expand and attract expatriates in the middle-to-high income bracket, the Company expects to target this customer segment for future revenue growth. For a detailed discussion on the growth in the UAE real estate market, please refer to the Real Estate Sector Overview section.

#### **Competitive Environment**

The competitive environment of the MENA real estate sector is primarily made up of master developers and project developers. In each of these segments, there are a few large players who have a regional focus and a number of other players who focus on their respective home markets. Dubai has been on the leading edge of most major developments in the region and thus it would be expected that the largest real estate developers in the MENA region would be based there.

The first of these master developers is Emaar Properties, which established itself with notable developments in Dubai such as the Emirates Living community, Dubai Marina, and its upcoming Downtown Dubai flagship development which will encompass the Burj Dubai tower, expected to be the tallest in the world. The other two master developers in Dubai are Dubai Properties, which is building the US\$20 billion Business Bay project in Dubai and Nakheel, the master developer of the

### ***Acquire Assets for Income Generation***

Deyaar plans to build its leasing portfolio either by acquiring or developing real estate assets limited to residential and commercial developments.

### ***Build Complementary Businesses***

The Company plans on building up its brokerage business which will act as a key complement to Deyaar's core property development business. New complementary businesses would also support Deyaar's property management activities.

## **Competitive Strengths**

Deyaar's key competitive strengths, which will allow it to successfully execute its business strategy, are as follows:

### ***Solid Business and Track Record***

Deyaar has been consistently ranked among the leading real estate development firms in the UAE. The Company has been in operation since 2003 and has developed a strong and recognized brand. Deyaar has earned a reputation for quality products and superior service particularly in its main market of the UAE, and in the Middle East region. The Company has managed to become the developer of choice for several of the UAE master developers.

Deyaar's management team has consistently demonstrated its agility in responding to client and market needs and the other factors facing businesses in this industry.

Deyaar has successfully delivered Al Seef Tower 1 three months prior to the anticipated hand-over date. It also successfully completed the Hor Al Anz residential complex within its anticipated timeline. Deyaar leverages on its strength in efficient project management and long-term relationships with reputable and reliable contractors to continuously sustain its solid track record.

### ***Project Pipeline and Expected Growth***

Deyaar is currently recognized locally and regionally for its renowned projects. The Company's expansion and diversification strategy expects Deyaar to carry out up to 50% of its future developments internationally in key high growth markets such as other GCC countries, Turkey, Kazakhstan and the Indian Sub Continent.

Prior to embarking on any overseas venture, the Company undertakes detailed studies in project feasibility, legal, tax and accounting perspectives and only proceeds when it is assured that risks are mitigated and returns on the project are commercially viable.

### ***Experienced and Proven Management Team***

Deyaar has a professional and highly experienced management team that has consistently delivered solid results. Deyaar's management operates within a structure that delegates authority and responsibility, allows for a high degree of professional recognition and satisfaction, and benefits from a solid, performance-based incentive program. As a result management is highly motivated, enthusiastic and dedicated to the Company. Management has cultivated strong relationships with clients, subcontractors, suppliers and other international construction firms. Such relationships have been one of the key drivers of Deyaar's impressive results, and have allowed the Company to extract significant benefits when executing difficult projects or ones that require particular expertise.

### ***Strategic Alliances in High Growth Markets***

Deyaar has managed to establish strategic alliances with key, reputable, and influential local partners such as Dubai Properties. The Company has been working alongside Dubai Properties on its signature development in the DIFC.



## Strategy

To achieve the Company's strategic vision of "Defining Space", Deyaar considers customer needs at the utmost levels in terms of providing well designed, well planned, affordable and high quality residential and commercial properties. Deyaar's business strategy is to focus on developing self-contained communities that offer a mix of residential and commercial units locally and internationally which is designed to enhance shareholder value by implementing the following strategies:

### *Create a Diversified Portfolio of Real Estate Assets*

The management of Deyaar aims to maintain the breadth in the range of real estate projects and services, both in terms of geographic and sector coverage. Management's local strategy is to provide a well diversified project and asset portfolio to Deyaar's shareholders. This strategy is expected to hedge the exposure of Deyaar to a specific market segment or geography.

Deyaar will aim to pursue opportunities throughout the MENASA region, tapping into a 1.4 billion<sup>2</sup> population and a GDP of approximately US\$1.7 trillion<sup>3</sup> growing to a blended average growth rate of 10-12%<sup>4</sup>.

### *Being Developer of Choice in the UAE*

Through its solid track record and ability to deliver projects on a timely and efficient basis while adhering to the highest standards of quality, Deyaar has established itself as the developer of choice for several UAE master developers. The Company has already become the developer of choice for Dubai Properties and has built a strong alliance with Nakheel on several projects. Deyaar plans on continuing to build on these and other relationships in the UAE and other markets as it expands its business.

### *Continued Expansion in the UAE and International Markets*

Through its successful track record of delivering projects in a timely and efficient manner, Deyaar has built a reputation of being a strong and reliable player in the market both by customers and UAE master developers. Deyaar plans to build on this experience and benefit from the UAE's continued and phenomenal growth to support future developments. Deyaar will continue to actively source properties in the UAE to form part of its land bank in potential growth areas at the right prices.

The Company intends to expand and diversify its property and development portfolio in select high growth international markets. Deyaar plans to extend its extensive and accumulated experience in developing and managing real estate projects in the UAE as well as potentially pursue opportunities in the GCC, Middle East, Eastern Europe, and South Asia. Deyaar pioneered its business expansions by being the first UAE non-master developer to break ground in Lebanon and Turkey. The Company plans to continue these efforts as it seeks other key international markets to expand into by partnering with highly regarded local experts. This allows the Company to leverage its success in Dubai to these markets whilst at the same time gain strategic localized information that will enable the Company to maintain a balanced portfolio and enhance shareholder value.

### *Continued Involvement in Residential and Commercial Projects*

Deyaar plans to continue developing residential and commercial projects as part of its core operations. As the Company plans on providing an end-to-end service, Deyaar can benefit from the first mover advantage in various sectors in the UAE and other international markets.

---

<sup>2</sup> EIU report 2006

<sup>3</sup> EIU report 2006

<sup>4</sup> EIU report 2006

## **Other Business Lines**

The growth of the real estate market in the UAE and the significant increase in demand for properties has made the real estate sector very attractive for a multitude of real estate service business lines. Deyaar has become increasingly involved in real estate related services by expanding its product offering to include real estate brokerage, property management and sales management.

### ***Property Management***

As part of its property management line of business, Deyaar manages the property portfolios of its clients utilizing the Company's experienced property consultants who serve the UAE market through nine offices in the UAE. The Company's unparalleled track record in the property management sector has produced outstanding results for landlords and their tenants. Within this business line, Deyaar has achieved the following:

- Management of over 900 properties across UAE comprising over 16,000 rental units
- Generated over AED 300 million of rental income for its landlords in 2006
- Average occupancy rate of over 95% for all the rental units that it manages
- Renewal rate of over 87% from its loyal tenant base

In addition to managing properties owned by third parties, the Company also intends to develop properties as leasing assets in order to capitalize on the vibrant commercial and residential rental market. Constructing properties for lease will allow Deyaar to develop another sizable steady and recurring revenue stream. Deyaar has initiated these development efforts through the purchase of two land plots in key areas of Dubai. The first property is a commercial tower in the Barsha area, which is currently under construction. Deyaar's second project is also a commercial tower and located in the Port Saeed area of Deira, Dubai. The Company plans on significantly expanding its property leasing portfolio as part of its growth plans.

### ***Brokerage***

Deyaar has also introduced a brokerage line to its service business lines to serve the growing segment of the population who plan to purchase property. The Company acts as a value-added intermediary assisting its clients in buying and selling property by using its extensive real estate expertise. Deyaar uses its vast database of buyers and sellers to find a match between a client's investment criteria and a property investment opportunity.

Deyaar intends to grow this business line significantly as part of its expansion plans. The brokerage business will act as a key complement to Deyaar's core property development business while also supporting its property management activities.

### ***Sales Management***

Leveraging on the breadth of Deyaar's property management experience and evolving into a new business stream, the Company's sales management business enters into transactions where landlords permit Deyaar to lease properties and thereafter sublease units to third parties for the Company's own account. For these transactions, Deyaar has been able to capitalize on its extensive contacts with landlords and on-staff leasing consultants in order to achieve a steady additional revenue stream for the Company.

Deyaar intends to focus on high quality development projects which cater to local trends and market demographics in the region.

The countries of the MENASA region comprise some of the fastest growing economies depicted by high GDP and population growth combined with favorable and positive demographics such as young populations, growth in middle income classes, and a shift towards living in large cities.

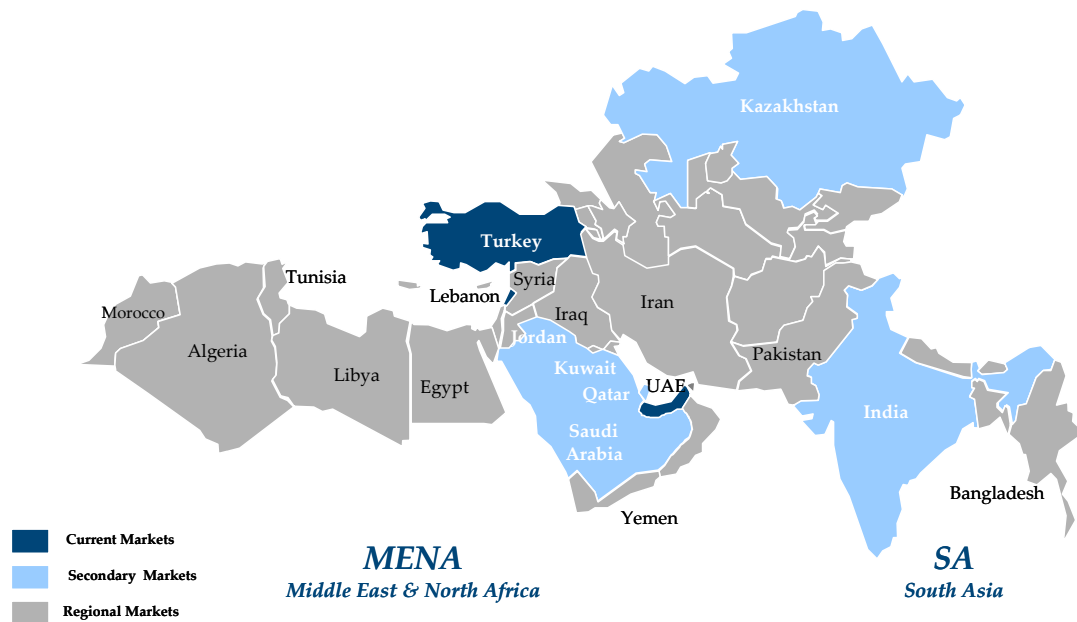
With its proven track record and solid reputation, Deyaar has established itself as a leading property developer in both the commercial and residential segments and has demonstrated its ability to expand successfully into new markets.

The future growth plans of the Company include further expansion into attractive markets for real estate development, which include other Emirates of the UAE, South and Central Asia, as well as other countries in the Middle East.

The Company is currently in negotiations for a joint venture investment in a real estate residential development in Kazakhstan. Deyaar is also assessing the feasibility of a real estate development project in the Indian Sub-Continent and is in consultation with several advisors on the relevant legal, tax and commercial implications. Prior to embarking on any overseas venture, the Company undertakes detailed studies in project feasibility, legal, tax and accounting perspectives and only proceeds when it is assured that risks are mitigated and returns on the project are commercially viable.

The map below outlines the geographical diversification of Deyaar's developments and project management experience:

**Graph:** Map Outlining Deyaar's Development Diversification



- "Secondary markets" refers to markets where the Company shall consider in its expansion plans.

Source: Deyaar

## Expansion Plans

### UAE

Deyaar has secured a land bank of around 14 million sq ft for future project development in the UAE. The Company intends to develop in prime and strategic locations. The table below summarizes the UAE land bank currently maintained by Deyaar as of February 14, 2007:

**Table: Deyaar's Land Bank for Development**

Serial No.	Developer	Usage	Gross BUA (sq ft)
1	Waterfront	Residential	726,564
2	Waterfront	Residential	1,307,815
3	Tecom	Residential	328,872
4	Port Saeed	Office	85,930
5	Barsha	Office	162,786
<b>New Acquisitions in 2007</b>			
1	Limitless	Residential	242,328
2	Limitless	Residential	133,857
3	Limitless	Office	316,163
4	Limitless	Office	390,250
5	Limitless	Office	390,493
6	Limitless	Office	316,179
7	Limitless	Residential	133,985
8	Limitless	Residential	243,918
9	Dubai Silicon Oasis	Residential	109,246
10	Dubai Silicon Oasis	Residential	157,567
11	Dubai Silicon Oasis	Residential	148,391
12	Dubai Silicon Oasis	Residential	103,847
13	Business Bay	Residential	170,300
14	Business Bay	Residential	170,760
15	Business Bay	Residential	163,980
16	Dubitech	Residential	156,678
17	Dubitech	Residential	156,696
18	Dubitech	Residential	152,988
19	Sama Dubai	Residential	191,785
20	Sama Dubai	Residential	908,600
21	Waterfront	Residential	653,908
22	Waterfront	Residential	653,908
23	Waterfront	Residential	653,908
24	Waterfront	Residential	653,908
25	Waterfront	Residential	1,383,539
26	Waterfront	Residential	653,908
27	Waterfront	Residential	653,908
28	Waterfront	Residential	653,908
29	Waterfront	Residential	653,908
<b>Total</b>			<b>13,984,781</b>

Source: Deyaar

**Table: Deyaar's Current Projects in Lebanon**

Lebanon Project Highlights	% Sold	Type	Location	No. of Units	BUA (sq ft)	Start Date	Estimated Completion Date
<b>Current Projects</b>							
Solidere Saifi Village	40%	Residential	Central Beirut	72	444,484	Mar-06	March-08
Solidere, Block 18	0%	Residential	Beirut	47	458,300	Nov-06	Dec-09

- As at the date of this Prospectus, the sales launch for Solidere, Block 18 has not yet commenced. Solidere, Block 18 is currently under development.

Source: Deyaar

### Turkey

To further diversify geographically, in June 2006 Deyaar launched the development of a community of 110 modern villas located 40 kilometers outside Istanbul, Turkey. Construction on the Gulpinar villas has been completed and delivery is expected during 2007. According to Turkish regulation, sales for the Gulpinar villas can only commence after successful completion of the entire project. It should be noted that the Company has received a number of proposals by potential buyers for villas in the development.

**Table: Deyaar's Current Projects in Turkey**

Turkey Project Highlights	% Sold	Type	Location	No. of Units	Total BUA (sq ft)	Start Date	Estimated Completion Date
<b>Current Projects</b>							
Gulpinar Villas	0%	Residential	Central Istanbul	110	257,922	Jun-06	July-07

Source: Deyaar

The below table summarizes the Company's completed and current projects in the UAE:

**Table: Deyaar's Completed and Current Projects in the UAE**

UAE Project Highlights	% Sold	Type	Location	No. of Units	Total BUA (sq ft)	Start Date	Estimated Completion Date
<b>Completed Projects</b>							
Al Seef Tower 1	100%	Residential	Dubai Marina	159	793,161	May-03	Apr-05
Hor Al Anz	100%	Residential	Deira	105	251,138	Feb-04	Apr-05
<b>Current Projects</b>							
Al Dana	99%	Residential	Sharjah	294	786,842	Nov-04	Jun-07
Al Seef Tower 2	100%	Residential	Jumeirah Lake Towers	228	563,197	Aug-05	Oct-07
Citadel	91%	Commercial	Business Bay	400	626,154	Mar-06	Jul-08
Madison (TECOM)	97%	Residential	Sh. Zayed Road	312	429,649	May-06	May-08
Deyaar Square (Barsha)	NA	Commercial	Barsha	NA	210,832	Aug-06	May-09
Deyaar Tower (Port Saeed)	NA	Commercial	Deira	NA	178,114	Aug-06	Sept-08
DIFC	0%	Mixed Use	DIFC	NA	981,798	Nov-06	Apr-10
Hamilton	30%	Residential	Business Bay	178	290,998	Feb-07	Mar-09
Metropolis	0%	Commercial	Business Bay	322	629,749	Feb-07	Jan-09
51 @ Business Bay	0%	Mixed Use	Business Bay	164	557,292	May-07	Sept-09
<ul style="list-style-type: none"> <li>The Barsha and Port Saeed projects are not sectioned for a specific number of units, but rather will be customized based on customer needs. In addition, these two projects are leaseholds and thus do not have units for sale.</li> <li>As at the date of this Prospectus, sales launches for the Business Bay 51 and the DIFC towers have not yet commenced.</li> </ul>							

Source: Deyaar

### Lebanon

In the 1990s, the real estate sector in Lebanon witnessed a turning point with the multi-billion Dollar Solidere project which was intended to rebuild the Beirut Central District. Lebanon has always been considered a major tourist attraction for neighboring GCC and Arab countries. As a result of the Lebanese government policy of facilitating foreign ownership, there has been a substantial amount of real-estate owned by GCC and foreign nationals.

The Company's first international initiative was in Solidere, where the Company is developing residential development known as Saifi Village II. In order to maintain the elite nature of Saifi Village II, sales of units are strictly by invitation only and the Company has achieved sales of approximately 40% of the project as of the end of 2006.

Deyaar is currently developing another high-end residential development in Beirut's downtown Solidere area and owns a prime waterfront land plot in Solidere Phase II.

types of property developments, including residential, commercial, and retail units. Favorable legislation that allows real-estate ownership by expatriates in designated areas has also made real estate investments very attractive, in a country where the expatriate population stands at around 80% of the total population<sup>1</sup>. These favorable economic and market conditions have allowed Deyaar to enhance its experience in the development and management of real estate projects in Dubai and Sharjah.

Deyaar's projects have attracted a multitude of astute real estate investors and end users. The Company manages all aspects of the development process including overseeing governmental compliances; the appointment of consultants, contractors, designers, and banks; managing the construction, sales, and marketing aspects of the project; as well as overseeing the post-project completion services. Deyaar places significant emphasis on designing floor plans, specifications, design and electromechanical specifications to effectively meet the requirements of its consumers.

#### *UAE*

Deyaar launched its first real estate development with the construction of Al Seef Tower 1 in Dubai Marina, which was completed and delivered in April 2005. The project was a 43-storey luxury residential tower which was successfully sold on a freehold basis within 24 hours. Deyaar also launched Horz Al Anz, a primarily residential tower with a commercial component, in the Deira area of Dubai. This project was also delivered in April 2005.

The success of Al Seef Tower 1 prompted the Company to expand its freehold operations to other Emirates in the UAE. In November 2004, Deyaar launched Al Dana Tower, a 40-storey residential tower on the Sharjah corniche. The Company also leveraged on the success of Al Seef brand by launching Al Seef Tower 2, a residential tower which was launched in August 2005 in Jumeirah Lake Towers. All units for Al Dana and Al Seef Tower 2 have been sold and are expected to be delivered in 2007 within the terms of their respective agreements.

In early 2006, the Company entered into the development of commercial properties with the launch of the Citadel Tower in the Business Bay District of Dubai. Also in 2006 Deyaar continued to leverage on its strength in developing residential towers and launched the Madison Tower, which is located on Sheikh Zayed Road within the TECOM area of Dubai. The Madison Tower is also completely sold out.

In late 2006, the Company launched two further projects in the Business Bay area. One is the Metropolis commercial tower and the other is Hamilton residential tower. At present, the Company is also finalizing the launch of two further commercial towers which should take place in the first half of 2007.

To further capitalize on its outstanding brand image in its home market of Dubai, the Company has entered into a joint venture with Dubai Properties LLC to develop a signature project in the Dubai International Financial Centre (DIFC). The multi tower residential and commercial property is currently in the design phase, and the project's magnitude and scope is expected to create an iconic landmark within the prime financial district of Dubai.

In addition to its signature DIFC project, Deyaar has accumulated a sizeable land bank of plots in strategic development areas throughout Dubai to facilitate its growth and expansion plans.

---

<sup>1</sup> UAE Ministry of Economy. Preliminary Results of Population, Housing, and Establishment Census for 2005. Report dated 2006.

## THE BUSINESS

### Overview

Based in the Emirate of Dubai, Deyaar is a leading local and regional real estate developer and real estate services company. At inception, Deyaar was the property management unit of Dubai Islamic Bank. Deyaar was later established as a private shareholding company on January 6, 2001 and commenced operations on June 1, 2003.

The overall economic growth in the UAE, and Dubai in particular, led to the significant growth in the real estate sector, which was conducive for Deyaar to expand the scope of its property management operations to include property development and investment activities. Deyaar became increasingly involved as a real estate developer, also expanding into complementary business lines such as real estate brokerage, property management, and sales management.

Deyaar has completed and is currently developing a number of notable real estate projects, solely or through joint venture partnerships in the UAE and the Middle East region. Deyaar has a geographically balanced portfolio of real estate projects under development and land bank assets for future development, and has significant growth plans to continue expanding into new international markets.

Deyaar's principal strategy is to develop and sell residential and commercial properties with the aim of maximizing investor returns and simultaneously providing comprehensive services and care to its customers and tenants. Deyaar seeks to capitalize on its current project portfolio as well as its new projects to be developed to establish itself as a leading player in the real estate sector in the region.

In February 2007, the Company's founders applied to the UAE Ministry of Economy and the Emirates Securities and Commodities Authority to establish Deyaar Development PJSC (a public joint stock company under formation) in accordance with the requirements of the Commercial Companies' Law in the UAE.

### Business Review

The table below summarizes Deyaar's business lines:

**Table:** Deyaar's Business Lines



Source: Deyaar

#### *Property Development*

Over the past few years, Deyaar has developed residential and commercial properties in the UAE, Turkey, and Lebanon. The UAE in general, and Dubai in particular, has developed into one of the fastest growing real estate markets in the region, fuelled by a visionary leadership, population growth, expanding GDP and significant liquidity. Dubai has seen a great deal of activity across all



## **USE OF PROCEEDS**

The Company plans to use the proceeds from the IPO, in addition to Islamic financing, to expand its business and operations by, amongst other activities, land acquisition, and property development, expanding its real estate services and undertaking development opportunities in the UAE, the MENASA region and other international markets.

## CAPITALIZATION

Pursuant to the Offering, the Company will have a paid in capital of AED5,778,000,000 comprised of 5,778,000,000 Shares with a par value of AED1.00 per Share.

The Founders of the Company whose names appear below, have subscribed to 2,600,000,000 Shares, representing 45% of the Company's share capital, paid for in-kind in the form of shares in Deyaar Development PSC. The total value of the in-kind contribution has been determined at AED2,600,000,000 and a price of AED1.00 per Share, as reflected in Article 6 of the Memorandum of Association and Article 8 of the Articles of Association.

The Founders are offering the Offer Shares, 3,178,000,000 million Shares, representing 55% of share capital of the Company at an Offer Price of AED1.00 (with an additional AED0.02 per Share in Offering Costs). The Offering will only be open to UAE and GCC individual and institutional investors. The Company's Articles of Association permit non-UAE nationals to own up to 49% of the Company's share capital.

The following table shows the ownership structure of the Company pursuant to the completion of the Offering.

**Table:** Post-Offering Shareholding Structure

Shareholder	Number of Shares	Value (AED)
Dubai Islamic Bank	2,482,996,360	2,482,996,360
Sequia Investments LLC	117,000,260	117,000,260
Deyaar Funds LLC	260	260
Deyaar Investments LLC	260	260
Bulwark Investments LLC	260	260
Optimum Investments LLC	260	260
Rubicon Investments LLC	260	260
Osiris Investments LLC	260	260
Lotus Investments LLC	260	260
Premiere Investments LLC	260	260
Landmark Investments LLC	260	260
Blackstone Investments LLC	260	260
Blue Nile Investments LLC	260	260
Momentum Investments LLC	260	260
Mount Sinai Investments LLC	260	260
<b>Founders</b>	<b>2,600,000,000</b>	<b>2,600,000,000</b>
IPO Subscribers	3,178,000,000	3,178,000,000
<b>Total</b>	<b>5,778,000,000</b>	<b>5,778,000,000</b>

uncertainties that are difficult to predict. In addition, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Many factors could cause the Company's projections to materially differ from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include *inter alia*, the following:

- changes in the general political, economic and business conditions in the country(ies) or region(s) in which the Company, and its subsidiaries operate;
- changes in the laws or policies of governments or other governmental or quasi-governmental activities in the country(ies) in which the Company, and its subsidiaries operate;
- the prevalence of a competitive pricing environment and the introduction of competing services by other companies;
- changes in currency exchange rates, interest rates and inflation rates;
- changes in the business strategy and various other factors.

Many of these factors are macroeconomic in nature and are, therefore, beyond the control of the Company's management. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected.

reflect the real value of the property. Deyaar's properties are competitively priced as depicted by its 2-4 month average sales period from project launch. Deyaar's management believes that there is significant future growth potential in the UAE real estate market.

#### ***Investments in Land or new Developments***

As part of its investment strategy the Company may acquire interests in land or property that will require development in order to become income-producing. In undertaking this type of investment the factors above may be applicable. In this regard, these risks could result in additional costs (either directly or due to costs of delay on rental or capital return on investment) being incurred.

The Company will, to the extent possible, seek to minimize such risks through its due diligence process in relation to the physical and legal nature of the property, through the use of reputable and qualified professionals and contractors, using suitable and proven construction methods and materials and ensuring that each development or project is managed appropriately (whether by the Company or by suitably qualified project managers, consultants or other experienced persons).

#### ***Illiquid Nature of Property Investments***

Property investments are by nature medium to long-term investments with the primary focus for many investments being the return on capital and realization of profits when the property is eventually sold. It should be noted that Deyaar has historically been able to acquire land plots in strategic and premium locations, which when traded has yielded high returns.

### **General Risk Factors**

#### ***Regional Stability***

The Middle East is subject to the effects of political instability. The unrest in Iraq, the Israeli-Palestinian conflict, and the recent incidents in various countries in the Middle East could have a negative impact on the economies of the respective affected countries, and the region in general.

#### ***Foreign Exchange Movement***

Deyaar maintains its accounts, and reports its results in UAE Dirhams. The UAE Dirham has been "pegged" at a fixed exchange rate to the US Dollar for a substantial period of time. The Company's current projects consist of projects in the UAE, Turkey, and Lebanon. The Company also develops real estate projects in various geographic regions and will earn income in the respective geographic region's local currency. Fluctuations in foreign currency vis-à-vis the US Dollar or the UAE Dirham may have an impact on the Company's profits earned in overseas markets.

It should be noted that sales and revenues in overseas markets are primarily in US Dollars and due to the UAE Dirham peg, such exposure to movements in foreign currency exchange is minimal.

#### ***Competition***

Real estate developers in the UAE, regional and international markets present competition to the Company. Growth in the UAE real estate market has been conducive for a number of property developers to enter the market.

#### ***Forward Looking Statements***

This Prospectus contains certain forward-looking statements and information relating to the Company that are based on expectations, estimates, projections and information currently available to the Company. These statements include, but are not limited to, statements about the Company's strategies, plans, objectives, expectations, intentions, expenditures and assumptions.

These statements reflect the current views of the Company's management with respect to future events. They do not constitute a guarantee of future performance, and involve certain risks and

human resource planning. In addition, Deyaar is contractually protected against such delays, and it seeks at all times to keep the buyers of its properties updated as to any delays or other material developments which may occur.

#### ***Debt Service***

Deyaar intends to use its solid equity base, in addition to Shariah compliant financing to fund the development of real estate projects and acquisition of land. While borrowing helps in the expansion of the Company's operations and increase its revenues, a portion of the Company's future cash flows will be required to service this debt. This might have an impact on the Company's financial position, operating margins, and future dividend distribution.

It should be noted that Shariah compliant financing allows the Company to lock in financing costs for the duration of the project, which minimizes the risk of changes in finance costs and operating margins.

#### ***Other Risks***

Deyaar is also subject to other risks which are inherent in the property sector including but not limited to rising costs, shortage of inputs including manpower and raw materials, changes in the legal and environmental framework governing the industry and increases in borrowing or lending rates which may preclude potential buyers from acquiring properties. Deyaar continuously seeks to limit these business risks through, among others, efficient project management and having long-term relationships with reputable and reliable contractors. Any impact on the sales of units is mitigated through efficient property management transactions undertaken by the Company.

Any adverse changes in the borrowing or lending rates which precludes end-user buyers in acquiring units has limited impact on Deyaar as the owner of such developments is able to leverage on its leasing strength to lease such units.

### **Industry Related Risks**

#### ***General Risks Related to the Real Estate Industry***

The investments made by the Company will be subject to risks inherent in investments in the property market. These risks include, but are not limited to, the obligations of any property owner, economic conditions in the relevant markets generally, the supply and demand for property in the relevant market, fluctuations in rental income and occupancy rates for property, ability of tenants to meet financial and other obligations, possible enactment of, or amendment to laws and regulations relating to property and property rights, construction and other related issues by the relevant governmental agencies, environmental obligations and liabilities, third party risks, changes in the costs and terms of financing which may render refinancing or sale of properties difficult or impracticable. The property market may also be affected by geo-political risks such as war, terrorism, occupation and other related risks in the Middle East and global property markets.

The current regional construction boom and the resultant capacity constraints in the market could lead to delays and/or increase in the cost of construction of a particular property. As such, there can be no assurance that the actual costs or duration of a project will not exceed its related estimates given current local and regional market conditions.

#### ***Cyclical Nature of Property Market***

It is possible that the property markets in which the Company operates are or could potentially be cyclical and property values may be affected by the supply and demand of comparable properties.

Deyaar believes, however, that the demand for property for both sale and rental in the UAE, its largest business areas, is driven by the growth in the economy as a whole and that the maturing of the UAE property market will bring about better standards in the industry such that pricing will better

possible that as the property market matures in the UAE, competition amongst UAE based developers may intensify, which may result in increased pressure on sales and profit margins. These factors may accordingly have an effect on the operations and financial position of the Company.

Deyaar currently has an existing land bank of approximately 14 million sq ft of built up area which is expected to be developed over the next two years. Most of this land bank is located in strategic growth areas within Dubai including, among others, Dubai Waterfront, Business Bay, International Media Production Zone (IMPZ), Dubai Silicon Oasis, Downtown Jebel Ali and Technology, Electronic Commerce and Media Free Zone (TECOM). Although Deyaar will continue to actively source properties to form part of its land bank in potential growth areas at the right prices, there can be no assurance that it will be able to secure such properties.

Deyaar is confident that it will be able to remain competitive despite the increased competition in the market, based on the premise of its established reputation as a developer of first choice and the locations of the land bank assets of the Company are in strategic growth areas.

Hence, the management believes that whilst competition may be keen, Deyaar is well entrenched as a reputable developer with emphasis on quality products and this will enable it to continue to grow.

#### ***Uncertainties in Overseas Markets where Company Operates***

Adverse developments in general political, economic, and regulatory conditions in the countries in which the Company may operate, including changes in methods of taxation, currency exchange rules and controls, changes in the Dirham peg to the US Dollar or the introduction of new regulations could affect the business of the Company. Although measures may be taken by the Company to address or mitigate such developments, no assurance can be given that such measures would be sufficient or effective in the circumstances.

The Company chooses to enter new overseas markets by partnering with highly regarded local experts. This allows the Company to bring its expertise and success from Dubai and other overseas markets to these markets while at the same time benefit from its local partners' expertise in their home markets which will enable the Company to balance risk and work towards enhancing value for its shareholders.

#### ***Future Interest in Joint Venture Companies or Unincorporated Joint Ventures***

Deyaar has, and expects to have in the future, interests in joint venture companies or unincorporated joint ventures, whether directly or indirectly through tax efficient structures.

Such joint ventures may involve special risks associated with the possibility that the joint venture partners may be unable or unwilling to fulfill their obligations under the relevant joint venture or other agreements or experience financial or other difficulties. Cooperation among the joint venture partners of such entities on existing and future business decisions is an important factor for the sound operation and financial success of such businesses.

The Company has and will continue to carefully select its joint venture partners and will only enter into such relationships with partners who have demonstrated a track record of excellence in the property business and who have a sound financial history.

#### ***Delay in Completion of Projects***

Timely completion of a development project is dependent on many external factors such as obtaining approvals as scheduled, ensuring that contractors abide by all their obligations and the satisfactory completion of works carried out by contractors. The above factors may result in a delay in the completion and handing over of units.

Deyaar continuously seeks to limit these business risks through, among others, efficient project management, long-term relationship with reliable contractors and suppliers as well as effective

## **RISK FACTORS**

*Prior to making an investment decision to buy the Company's Shares, prospective Subscriber(s) should carefully read each of the following risk factors and other information set forth in this Prospectus. Certain risk factors contained in this section are principally related to the Company's business in general and the industry in which it operates in particular. It should be noted that some of these factors have been managed by the Company. It should be noted that the following risk factors are not comprehensive, as additional risks and uncertainties not presently known may also have an impact on the Company and its operations. If any of these uncertainties develops into an actual event, the Company's operations and actual results could differ materially from the pro-forma results contained in this Prospectus.*

### **Risks Relating to the Company and its Business**

#### ***Ability to Meet Growth Targets***

Deyaar's growth strategy is dependent on its ability to successfully develop real estate projects and secure land for development in the UAE and internationally. The Company may be unable to achieve its growth targets due to several external factors including, but not limited to, factors that affect the real estate sector in the markets where the Company operates.

#### ***Management of Growth***

An important factor in Deyaar's continued success will be its ability to preserve its standing as a developer of choice and to take advantage of future opportunities to develop its real estate development and land bank portfolio. Deyaar has grown significantly since 2003 which has led to a similar growth in the demand placed on the management resources, systems and internal control procedures.

The management believes that its resources are adequate at present but it shall be increasing its resources as the business expands. The planned expansion of the activities may in the short run place a burden on management resources and on operational, financial, management and control systems. In managing the expansion of the business and in finding solutions to the additional burdens placed on the resources, there will be continued reliance on the leadership of its highly qualified and experienced management team which has proven its ability to manage growth and deliver strong results over the past years and will continuously look for highly qualified personnel to be part of the team.

#### ***Dependence on Key Personnel***

The expansion plans and future success will depend to a large extent on the skills, efforts, performance and continued service of its senior management team and other key personnel.

The inability of the Company to attract and retain qualified executives or loss of one or more of its top executives can have an adverse effect on the business of the Company.

The Company intends to benefit from the significant depth in its management structure, which clearly defines responsibilities and authorities. To this end the Company has secured long term contracts with key personnel including, Zack S. Shahin (Chief Executive Officer), John D'Cunha (Chief Operating Officer) and Nasser Al Dabal (Executive Vice President). The Company will also implement a strategy of cultivating and grooming managerial skills from within its ranks to broaden its management base.

#### ***Competition, Acquisitions and Disposals***

The businesses carried out by the Company are in highly competitive industries. The Company will continue to acquire or dispose land as part of its normal scope of business in order to remain competitive with the rest of the industry and to adhere to the Company's business strategy. It is

## OFFERING TIMETABLE

The dates set forth below are indicative of certain key events related to the Offering. The Company reserves the right to change any of the dates or time and/or shorten or extend the time periods, as long as the period of the Offering is at least 10 working days.

**Table:** Offering Timetable

---

May 6, 2007	Opening of the Offering
May 16, 2007	Closing Date of subscription
May 30, 2007	Refund Date for Receiving Banks in the UAE: Notification to all Subscribers of the Offer Shares allocated to them, and refund of any additional amount not allocated
June 4, 2007	Refund Date for Receiving Banks in the GCC: Notification to all Subscribers of the Offer Shares allocated to them, and refund of any additional amount not allocated

---



**In the GCC**

- Standard Chartered

**Placement Agent In the GCC**

- TAIB BANK

- If the number of Shares subscribed does not cover the Offer Shares in Tranche (I), then Subscribers will be given full allocation, with the remaining Shares being transferred to Tranche (II).

#### **Tranche II: High Net Worth Individuals and Institutional Tranche**

- Size of Tranche (II): 2,542,400,000 Shares.
- Tranche (II) will be open to individual and institutional UAE and GCC Subscribers who have submitted applications for a minimum of 55,000 Shares or more. Subscription for any Shares in this Tranche will be in the multiples of 5,000 Shares.
- Shares in Tranche (II) will be allocated on a pro-rata basis.
- If the number of Shares subscribed for does not cover the Offer Shares in Tranche (II), then Subscribers will be given the full allocation which they requested, with the remaining Shares being transferred to Tranche (I).

In accordance to the Council of Ministers' Resolution number (8) for 2006, the Ministry of Finance and Industry has the right to subscribe for up to 5% of the Offering. The Ministry of Finance will be allocated the full percentage it will subscribe to prior to the allocation of Shares. Accordingly, the Offer Shares available in (II) will be reduced according to the decision of the Founders' Committee.

The Offering of the Company's Shares is open to both UAE national and GCC national individual and institutional investors subject to UAE share ownership restrictions 51% UAE nationals and 49% non-UAE nationals.

The Lead Manager reserves the right to allocate the Shares to guarantee conformity with the provisions of the Commercial Companies Law and the Company's Articles of Association.

#### **Receiving Banks & Institutions**

##### **In the UAE**

- Dubai Islamic Bank
- National Bank of Abu Dhabi
- Abu Dhabi Commercial Bank
- Union National Bank
- First Gulf Bank
- National Bank of Fujairah
- Mashreqbank
- Emirates Bank
- Dubai Bank
- Arab Bank
- Finance House
- Sharjah Islamic Bank
- Dubai Commercial Bank
- Commercial Bank International
- Standard Chartered

## TERMS OF THE OFFERING

<b>the Issuer</b>	Deyaar Development PJSC – Under Establishment
<b>Capital</b>	AED5,778,000,000
<b>Number of Shares in Capital</b>	5,778,000,000 Shares
<b>Offer Shares</b>	3,178,000,000 fully paid ordinary Shares with a nominal value of AED1.00 per Share representing 55% of the Company's total issued share capital.
<b>Offer Price</b>	The Offer Price per Offered Share is AED1.00 (with additional AED0.02 Offering Costs).
<b>Eligible Investors</b>	The Offering will be limited to individuals and institutional investors that hold the nationality of UAE and other countries of the GCC. Individual investors must be at least 21 years of age on the date of the closing of the Offering.
<b>Minimum Subscription</b>	Minimum Subscription has been set at 10,000 Shares for Tranche (I) and 55,000 Shares for Tranche (II). Applications for Offer Shares will be in multiples of 5,000 Shares.
<b>Summary of Allocation Policy</b>	<p>Upon the closing of the Offering, the Offer Shares will be allocated as follows:</p> <p><b>Tranche (I): Retail Tranche</b></p> <ul style="list-style-type: none"> <li>▪ Size of Tranche (I): 635,600,000 Shares.</li> <li>▪ Tranche (I) will only be open to individual UAE and GCC Subscribers who have submitted applications for a minimum of 10,000 Shares and a maximum of 50,000 Shares. Subscription to any additional Shares in this Tranche will be in multiples of 5,000 Shares.</li> <li>▪ Shares in Tranche (I) will be allocated on a pro-rata basis, with a minimum allocation of 2,000 Shares per Subscriber.</li> <li>▪ In case the number of submitted applications exceeds the maximum number of applications available for Tranche (I) (317,800 applications), then the minimum allocation will be reduced in proportion to the increase in the number of applications submitted.</li> </ul>

### ***Competitive Strengths***

Deyaar's competitive strengths include, but are not limited, to the following:

- Solid Business and Track Record
- Project Pipeline and Expected Growth
- Experienced and Proven Management Team
- Strategic Alliances in High Growth Markets
- Solid Cash Generation and Earnings Growth
- Operating Efficiency
- First Mover Advantage in Regional and International Markets

### ***Strategy***

Deyaar's primary goal is to continue growing its core operation of property development in local and international markets as well as to expand its operations to be an end-to-end real estate service provider. The strategy going forward includes:

- Create a Diversified Portfolio of Real Estate Assets
- Being a Developer of Choice
- Continued Expansion in the UAE and into International Markets
- Continued Involvement in Residential and Commercial projects
- Acquire Assets for Income Generation
- Build Complementary Businesses

### ***Dividend Policy***

The Company is expected to adopt a dividend policy of distributing at least 25% of its net income as dividend payments, subject to bank financing, working capital and capital expenditure requirements. Dividend payments will be upon the recommendation of the Company Board of Directors and the approval of the General Assembly of Shareholders.

Dividends (profits) accumulated during the period from January 1, 2007 to the date of incorporation of the Company as announced by the respective regulatory authorities will be distributed by the Company to the Shareholders of Deyaar Development PSC. In the event that the proceeds from Offering Costs exceed the costs of establishing the Company, then the excess will be registered as income in the Company's register.

### ***The Shares***

The Company intends to have 5,778,000,000 Shares of fully paid up common stock issued and outstanding. The Shares are intended to be issued in registered form and to be evidenced by certificates held by the respective shareholders. The Company will maintain a shareholder register that records the number of Shares held by each shareholder at all times. Upon listing on the DFM, the Shares will be converted to a dematerialized form and the shareholders' register will be maintained by the DFM. The Company will only recognize transfers of Shares that have been reflected in the Shares Register maintained by the DFM.

### ***Transfer and Trading of Shares***

Pursuant to the Closing Date, the Company expects to list its Shares on the DFM. Prior to the Offering, the Shares of the Company have never been publicly traded or quoted on any stock exchange or similar market. All sales and transfers of Shares shall be subject to the Company's Articles of Association, as amended from time to time, DFM regulations and to UAE law.

**Table:** Board of Directors

<b>Name</b>	<b>Position</b>
H.E. Dr. Mohammed Khalfan Bin Kherbash	Chairman
H.E. Sultan Saeed Mohd AlMansoori	Vice Chairman
Mr. Sultan Ahmed Khalfan AlGhaith	Director
Mr. Hussain Hassan Mirza Mohd AlSayegh	Director
Mr. Khaled Mohammad Ali AlKamda	Director
Mr. Saad Mohd Sharif Abdul Razak	Director
Mr. Khalifa Suhail Juma AlZaffin	Director
Mr. Younis Haji Abdulla H. AlKhoori	Director
Mr. Khaled Abdulla Mohamed Abdulla AlMass	Director

Source: Deyaar

### Financial Highlights

The following financial information is based on audited consolidated financial statements prepared by the international audit firm of Ernst & Young for Deyaar Development PSC as of and for the years ended December 31, 2004, 2005 and 2006.

<b>Summary Income Statement</b>				<b>Summary Balance Sheet</b>			
<u>For the Year Ending December 31,</u>				<u>As at December 31,</u>			
<u>(AED Million)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>(AED Million)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues	169.0	455.4	1,057.0	Total Assets	720.9	1,000.1	3,034.1
Gross Profit	23.2	132.0	427.1	Total Liabilities	142.9	279.7	1,397.8
Profit before Tax	73.0	142.7	415.7	Shareholders' Equity	578.0	720.4	1,636.3
Profit for the Year	73.0	140.9	412.6	Total Liabilities & Shareholders' Equity	720.9	1,000.1	3,034.1

Deyaar Development PSC commenced operations in June 2003 and has since expanded its operations and activities as depicted by the increase in revenues and net profits.

Revenues amounted to AED1,057.0 million for the year ended December 31, 2006 compared to AED455.4 million the previous year. Net profit amounted to AED412.6 million (a net profit margin of 39.0%) for the year ended December 31, 2006 compared to AED140.9 million (a net profit margin of 30.9%) in the previous year. The increase in revenue is principally attributed to the increase in the number of developments which were launched and to the real estate transactions which took place in 2006.

Total assets amounted to AED3,034.1 million as at December 31, 2006, total liabilities amounted to AED1,397.8 million and total shareholder's equity amounted to AED1,636.3 million.

### ***Offering Timetable***

The following summary timetable sets forth certain key events related to the Offering. The Company reserves the right to change any of the dates or time and/or shorten or extend the time periods, as long as the period of the Offering is at least 10 working days.

**Table:** Offering Timetable

---

May 6, 2007	Opening of the Offering
May 16, 2007	Closing Date of subscription
May 30, 2007	Refund Date for Receiving Banks in the UAE: Notification to all Subscribers of the Offer Shares allocated to them, and refund of any additional amount not allocated
June 4, 2007	Refund Date for Receiving Banks in the GCC: Notification to all Subscribers of the Offer Shares allocated to them, and refund of any additional amount not allocated

---

### ***Use of Proceeds***

The Company plans to use the proceeds from the IPO, in addition to Islamic financing, to expand its business and operations by, amongst other activities, land acquisition and property development, expanding its real estate services and undertaking development opportunities in the UAE, the MENASA region and other international markets.

### ***Offering Costs***

The Offering Costs are AED0.02 per Offered Share. It is expected that the proceeds from the Offering Costs will cover the costs of establishing the Company. In the event that the costs for establishing the Company exceed the proceeds from the Offering Costs, then the deficit will be registered as an expense in the Company's register. Unless prohibited under the principles of Islamic Shariah, in the event that the proceeds from Offering Costs exceed the costs of establishing the Company, then the excess will be registered as income in the Company's register.

### ***Management***

The Company shall rely on the highly experienced and motivated professional management team that has demonstrated its ability to grow both revenue and profits while maintaining the highest standards of quality and reliability in the provision of the Company's services.

### ***Board of Directors***

The Company's Board of Directors will be composed of nine (9) members, to be elected by the General Assembly of Shareholders for a period of three (3) years. The majority of the Directors, in addition to the Chairman, should be UAE nationals. As an exception, and in accordance with the provisions of the Commercial Companies Law, the Founders have named the following individuals as Directors of the Company's first Board of Directors which will serve for a period of three (3) years from the date the Company is incorporated.

## EXECUTIVE SUMMARY

*The following summary is qualified in its entirety by, and is subject to the detailed information contained elsewhere in this Prospectus. This summary may not contain all the information that prospective Subscribers should consider before deciding to invest in the Shares. Prospective Subscribers should carefully read the entire Prospectus, including the section entitled "Risk Factors" and the financial statements and the notes to those statements.*

### ***The Company and the Business***

Based in the Emirate of Dubai, Deyaar is a leading local and regional real estate developer and real estate services company. At inception, Deyaar was the property management unit of Dubai Islamic Bank. Deyaar was later established as a private shareholding company on January 6, 2001 and commenced operations on June 1, 2003.

The overall economic growth in the UAE, and Dubai in particular, led to the significant growth in the real estate sector, which was conducive for Deyaar to expand the scope of its property management operations to include property development and investment activities. Deyaar became increasingly involved as a real estate developer, also expanding into complementary business lines such as real estate brokerage, property management, and sales management.

Deyaar has completed and is currently developing a number of notable real estate projects, solely or through joint venture partnerships in the UAE and the Middle East region. Deyaar has a geographically balanced portfolio of real estate projects under development and land bank assets for future development, and has significant growth plans to continue expanding into new international markets.

Deyaar's principal strategy is to develop and sell residential and commercial properties with the aim of maximizing investor returns and simultaneously providing comprehensive services and care to its customers and tenants. Deyaar seeks to capitalize on its current project portfolio as well as its new projects to be developed to establish itself as a leading player in the real estate sector in the region.

In February 2007, the Company's founders applied to the UAE Ministry of Economy and the Emirates Securities and Commodities Authority to establish Deyaar Development PJSC (a public joint stock company under formation) in accordance with the requirements of the Commercial Companies' Law in the UAE.

### ***Capital Stock***

Pursuant to the Offering, the Company will have a paid in capital of AED5,778,000,000 comprised of 5,778,000,000 Shares with a par value of AED1.00 per Share.

### ***The Offering***

The Founders of the Company have subscribed to 2,600,000,000 Shares, representing 45% of the Company's share capital, paid for in-kind in the form of shares in Deyaar Development PSC. The total value of the in-kind contribution has been determined at a total value of AED2,600,000,000 and a price of AED1.00 per Share.

The Founders are offering the Offer Shares, 3,178,000,000 Shares, representing 55% of share capital of the Company at an Offer Price of AED1.00 (with an additional AED0.02 per Share in Offering Costs).

The Offering will only be open to UAE and GCC individual and institutional investors. The Company's Articles of Association permit non-UAE nationals to own up to 49% of the Company's share capital.

<b>Prospectus</b>	This non-certified English translation and abridged version of the original Arabic Prospectus prepared in relation to the Offering, dated May 6, 2007
<b>PSC</b>	Private Shareholding Company
<b>the Share(s)</b>	Share(s) in the Company, with a nominal value of AED1.00 per Share
<b>the Shareholder(s)</b>	Holders of the Shares of the Company
<b>Sq ft</b>	Square feet
<b>the Subscriber(s)</b>	The qualified investor(s) who shall make an offer to purchase a certain number of Offer Shares pursuant to the terms of the Prospectus. Investors should rely only on the Arabic Prospectus. In case of discrepancies or omissions, the Arabic Prospectus shall prevail
<b>UAE</b>	United Arab Emirates
<b>UAE Investor(s)</b>	Any person, entity, establishment, or company that holds the nationality of the UAE
<b>US\$ or US Dollar(s)</b>	The currency of the United States of America



<b>Fiscal Year</b>	The financial year of the Company will start on the 1 <sup>st</sup> of January and end on 31 <sup>st</sup> of December of each year. The first financial year of the Company will start upon incorporation of the Company and end on 31 December 2008
<b>the Founders</b>	The founding Shareholders of the Company whose names appear in the Prospectus
<b>the Founders' Committee</b>	A committee appointed by the Founders to undertake and complete all the necessary procedures to finalise the incorporation of the Company
<b>GCC</b>	Gulf Cooperation Council
<b>GCC Investors</b>	Any person, entity, establishment, or company that holds the nationality of the countries of the GCC
<b>Lead Manager, Financial Advisor &amp; Sole Bookrunner</b>	SHUAA Capital psc, a public joint stock company established in Dubai, UAE
<b>Memorandum of Association</b>	Memorandum of Association of the Company
<b>MENA Region</b>	Middle East and North Africa region
<b>MENASA Region</b>	Middle East, North Africa, and South Asia region
<b>the Ministry</b>	Ministry of Economy in the United Arab Emirates
<b>Offer Price</b>	AED1.00 per Share
<b>Offer Shares</b>	3,178,000,000 Shares offered for sale to the public according to the terms set forth in the Prospectus representing 55% of the Company's share capital
<b>the Offering</b>	Initial Public Offering for a total amount of AED3,178,000,000 allocated over 3,178,000,000 Shares
<b>Offering Costs</b>	The Offering Costs are AED0.02 per Offered Share. It is expected that the proceeds from the Offering Costs will cover the costs of establishing the Company. In the event that the costs for establishing the Company exceed the proceeds from the Offering Costs, then the deficit will be registered as an expense in the Company's register. In the event that the proceeds from Offering Costs exceed the costs of establishing the Company, then the excess will be registered as income in the Company's register
<b>PJSC</b>	Public Joint Stock Company

## DEFINITIONS

Throughout this Prospectus, the following words shall have the meanings assigned to them hereunder.

<b>AED or Dirham(s)</b>	The currency of the United Arab Emirates
<b>Arabic Prospectus</b>	The Arabic version of the Offering Prospectus dated May 6, 2007 that has been approved by the UAE Ministry of Economy and Emirates Securities and Commodities Authority on April 5, 2007
<b>Articles of Association</b>	Articles of Association of the Company
<b>Board or Board of Directors</b>	The Board of Directors of the Company
<b>Co-Lead Manager</b>	Millennium Finance Corporation, a company established in the Dubai International Financial Centre (DIFC) and regulated by the Dubai Financial Services Authority (DFSA)
<b>Commercial Companies Law</b>	UAE Commercial Companies Law Number (8) of 1984 and its applicable amendments
<b>the Company or “Deyaar”</b>	<p>An expression used to refer to “Deyaar Development PJSC” - under establishment or Deyaar Development Private Shareholding Company, as the context requires, and shall, upon establishment, have the fully or partially owned subsidiaries:</p> <ul style="list-style-type: none"> <li>▪ Dubai International Development LLC</li> <li>▪ Arady Developments LLC</li> <li>▪ DIB Tower SAL</li> <li>▪ Beirut Bay SAL</li> <li>▪ Dubai Insaat Gayrimenkul Sanayi Ve Ticaret Ltd Sti</li> <li>▪ Deyaar (UK) Limited</li> <li>▪ Deyaar (Cayman) Limited</li> <li>▪ Omega Engineering LLC</li> <li>▪ Deyaar West Asia Coöperatief U.A.</li> <li>▪ Deyaar for Development SA</li> </ul>
<b>Dubai Islamic Bank</b>	Dubai Islamic Bank PJSC, a public joint stock company established in Dubai, UAE
<b>DFM</b>	Dubai Financial Market
<b>ESCA</b>	Emirates Securities and Commodities Authority

## TABLE OF CONTENTS

DEFINITIONS-----	7
EXECUTIVE SUMMARY-----	10
TERMS OF THE OFFERING -----	14
OFFERING TIMETABLE -----	17
RISK FACTORS -----	18
CAPITALIZATION -----	23
USE OF PROCEEDS -----	24
THE BUSINESS -----	25
SELECTED FINANCIAL INFORMATION-----	40
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS -----	41
DIVIDEND POLICY -----	45
AUDITORS-----	45
LEGAL MATTERS -----	46
CURRENT PROPERTY PORTFOLIO -----	47
REAL ESTATE SECTOR OVERVIEW-----	50
<b>APPENDIX:</b>	
AUDITED FINANCIAL STATEMENTS	
ARTICLES OF ASSOCIATION	

## IMPORTANT NOTICE

*For the purpose of this Prospectus the defined terms included in this section are as defined in the “Definitions” section.*

The following Prospectus is qualified in its entirety by the detailed information contained in the Arabic Prospectus dated May 6, 2007. This is a non-certified translation and abridged version of the original Arabic Prospectus. This Prospectus is provided for convenience only and does not constitute a legal document. Investors should rely only on the Arabic Prospectus. In case of discrepancies or omissions, the Arabic Prospectus shall prevail. This Prospectus may not contain all the information that prospective Subscribers should consider before deciding to invest in the Company’s Shares. Prior to making their decision to invest in the Company’s Shares, prospective Subscribers should carefully read the entire Prospectus and the Arabic Prospectus, including the section entitled “Risk Factors”.

The information contained in this Prospectus and any other information subsequently provided in connection with the Offering are intended to assist potential investors who wish to consider participation in the Offering and may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Offering without the prior written approval of SHUAA Capital and Millennium Finance Corporation.

No representation or warranty, expressed or implied, is given by SHUAA Capital and Millennium Finance Corporation, the Company or the Founders, or any of their respective directors, managers, accountants, lawyers, employees or any other person as to the accuracy or completeness of the contents of this Prospectus; or of the projections included within this Prospectus; or of any other document or information supplied at any time in connection with the Offering, or that any such document has or will remain unchanged after the issue thereof. In all cases, persons interested in the Offering should conduct their own investigation and analysis of the Company and its business operations and all the data provided in this Prospectus. In no event should the information contained in this Prospectus be relied upon as constituting legal or tax advice or as being complete with respect to any legal or fiscal aspect relating to the purchase by said recipient of any Shares in connection with the Offering. Prospective Subscriber(s) should consult with and rely upon the professional advice of their respective legal and tax advisors with respect to such issues.

SHUAA Capital, Millennium Finance Corporation, the Company, the Founders and any of their respective directors, managers, accountants, lawyers, or employees each expressly disclaim any and all liability for any representations (whether expressed or implied) contained in and for any omissions from this Prospectus or any other written or oral communication transmitted in the course of the recipient’s evaluation of participation in the Offering.

In furnishing this Prospectus, SHUAA Capital, Millennium Finance Corporation, the Company, the Founders or any of their respective agents, representatives, directors, managers, accountants, lawyers or employees do not undertake any obligation to provide any additional information after the date of this Prospectus.

The words or phrases “will likely result” and “the Company expects”, “will continue”, “is anticipated”, “estimated”, “project”, or “outlook”, or similar expressions are intended to identify “forward-looking statements”. The Founders wish to caution readers not to place undue reliance on any such forward-looking statements, each of which expresses a matter of judgment and speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

The Offering of the Shares pursuant to this Prospectus and the Arabic Prospectus has been authorized by the UAE Ministry of Economy and the Emirates Securities and Commodities Authority, but the Shares have not been approved or registered by any other regulatory authority in any other jurisdiction, including the U.S. Securities and Exchange Commission or any state securities commission in the United States. Therefore the Shares may not, directly or indirectly, be offered, sold, re-sold, transferred or delivered in the United States, or for the account or benefit of any U.S. Person (as defined under the U.S. Securities Act of 1933) except in certain transactions exempt from the registration requirements of U.S. federal and state securities laws. In addition, the Shares may not be, and are not being, offered in the United Kingdom in circumstances that would require a prospectus to be registered in the United Kingdom under the Public Offers of Securities Regulations 1995. Persons coming into possession of this Prospectus are required to inform themselves about, and to observe, any such restrictions.

The Offering of the Company’s Shares is open to individual and institutional investors from the UAE and other GCC countries. Individual investors must be at least 21 years of age on the date of the closing of the Offering, either directly or through his/her legal guardian or representative.

For additional information and inquiries concerning this Prospectus please contact the Lead Manager:

**SHUAA Capital psc**  
Phone: +971 (4) 319 9860

## BOARD OF DIRECTORS

The Company's Board of Directors will be composed of nine (9) members, to be elected by the General Assembly of Shareholders for a period of three (3) years. The majority of the Directors, in addition to the Chairman, are required to be UAE nationals. As an exception, and as permissible by the Commercial Companies' Law, the Founders have named the following individuals as Directors of the Company's first Board of Directors that will serve for a period of three (3) years from the date the Company is incorporated.

**Table:** Board of Directors

Name	Position
H.E. Dr. Mohammed Khalfan Bin Kherbash	Chairman
H.E. Sultan Saeed Mohd AlMansoori	Vice Chairman
Mr. Sultan Ahmed Khalfan AlGhaith	Director
Mr. Hussain Hassan Mirza Mohd AlSayegh	Director
Mr. Khalid Mohammad Ali AlKamda	Director
Mr. Saad Mohd Sharif Abdul Razak	Director
Mr. Khalifa Suhail Juma AlZaffin	Director
Mr. Younis Haji Abdulla H. AlKhoori	Director
Mr. Khaled Abdulla Mohamed Abdulla AlMass	Director

## FOUNDERS' COMMITTEE

The Founders undertake to complete all the necessary procedures to finalise the incorporation of the Company. To that end, the Founders have appointed a committee comprised of five (5) members to complete the establishment process with the relevant regulatory authorities. The Founders' Committee is comprised of the following members:

**Table:** Founders' Committee

Name	Position
H.E. Dr. Mohammed Khalfan Bin Kherbash	Chairman
Mr. Saad Mohammed Sharif Abdul Razak	Member
Mr. Khalid Mohammad Ali AlKamda	Member
Mr. Abdul Monem Mohammed Mohammed Rafee Bastaki	Member
Mr. Zack S. Shahin	Member

## THE FOUNDERS

The Founders of the Company whose names appear below, have subscribed to 2,600,000,000 Shares, representing 45% of the Company's share capital, paid for in-kind in the form of shares in Deyaar Development PSC. The total value of the in-kind contribution has been determined at AED2,600,000,000 and a price of AED1.00 per Share, as reflected in Article 6 of the Memorandum of Association and Article 8 of the Articles of Association.

Based in the Emirate of Dubai, Deyaar is a leading local and regional real estate developer and real estate services company. At inception, Deyaar was the property management unit of Dubai Islamic Bank. Deyaar was later established as a private shareholding company on January 6, 2001 and commenced operations on June 1, 2003.

The UAE Ministry of Economy and Emirates Securities and Commodities Authority approved on April 6, 2007 the publication of the Initial Public Offering of 55% of the shares of Deyaar Development PJSC (a public joint stock company – under establishment), pursuant to the fulfilment of all legal requirements and necessary procedures in accordance with the laws of the UAE.

**Table: Founders**

Shareholder	Number of Shares	Value (AED)
Dubai Islamic Bank	2,482,996,360	2,482,996,360
Sequia Investments LLC	117,000,260	117,000,260
Deyaar Funds LLC	260	260
Deyaar Investments LLC	260	260
Bulwark Investments LLC	260	260
Optimum Investments LLC	260	260
Rubicon Investments LLC	260	260
Osiris Investments LLC	260	260
Lotus Investments LLC	260	260
Premiere Investments LLC	260	260
Landmark Investments LLC	260	260
Blackstone Investments LLC	260	260
Blue Nile Investments LLC	260	260
Momentum Investments LLC	260	260
Mount Sinai Investments LLC	260	260
<b>Total Founders</b>	<b>2,600,000,000</b>	<b>2,600,000,000</b>

## Deyaar Development PJSC

(Under establishment in the Emirate of Dubai, United Arab Emirates)

Initial Public Offering of 3,178,000,000 Common Shares to individual and institutional investors from the United Arab Emirates, and other GCC countries, representing 55% of the Company's share capital at an Offer Price of AED1.00 per Share (with an additional AED0.02 per Share in Offering Costs).

The Founders of the Company have subscribed to 2,600,000,000 Shares, representing 45% of the Company's share capital, paid for in-kind in the form of shares in Deyaar Development PSC. The total value of the in-kind contribution has been determined at a total value of AED2,600,000,000 and a price of AED1.00 per Share.

The Arabic version of the Prospectus has been approved by the UAE Emirates Securities and Commodities Authority and the Ministry of Economy as per the provisions of the Commercial Companies' Law number 8 of 1984, and its executive resolutions. The Department of Economic Development – Dubai, issued resolution no. 30 of 2007 approving the incorporation of the Company after fulfillment of all legal requirements for the establishment of a Public Joint Stock Company in the UAE.

### Advisory Parties

#### Lead Manager & Financial Advisor



#### Sole Bookrunner



#### Co – Lead Manager



#### Transaction Legal Advisor



Advocates & Legal Consultants  
المستشارون والمحاماة القانونية

#### Auditors



#### Lead Receiving Bank



#### Co – Lead Receiving Bank



#### Placement Agent in the GCC



TAIB Bank B.S.C.(c)

#### Receiving Banks & Institutions in the UAE



#### Receiving Bank in the GCC

Qatar Oman Bahrain



## DEYAAR DEVELOPMENT

Public Joint Stock Company

(Under establishment in the Emirate of Dubai, United Arab Emirates)



For the purpose of this Prospectus the defined terms included in this document are as defined in the "Definitions" section.

**Capital of AED5,778,000,000 comprised of 5,778,000,000 Shares with a par value of AED1.00 per Share**

**Initial Public Offering of 3,178,000,000 Shares at an Offer Price of AED 1.00 per Share  
(with an additional AED 0.02 per Share in Offering Costs)**

This is the Initial Public Offering of 3,178,000,000 common Shares representing 55% of the total common Shares in Deyaar Development PJSC, a public joint stock company under establishment in the Emirate of Dubai, United Arab Emirates. Prior to this Offering, there has been no public market for the Company's Shares. The Company will apply for its Shares to be admitted to the Official List of Securities of the Dubai Financial Market and to list its Shares on the Dubai Financial Market pursuant to the completion of the incorporation process.

The Offering of Shares of Deyaar Development PJSC under Establishment is only open to individuals and institutional investors from the United Arab Emirates and other countries in the Gulf Cooperation Council. Individual investors must be 21 years of age on the date that he/she submits the Subscription Application, either directly or through his/her legal guardian or representative.

The Offering of the Shares pursuant to this English version and Arabic Prospectus has been authorized by the UAE Ministry of Economy and Emirates Securities and Commodities Authority. The Shares have not been registered with any other regulatory authority in any other jurisdiction.

Prospective Subscribers of the securities offered should conduct their own due diligence on the Shares. If prospective Subscribers do not understand the contents of this document they should consult a professional financial advisor. Investing in the Company's Shares involves certain risks. See the "Risk Factors" section beginning on page 18.

### Lead Manager & Financial Advisor & Sole Bookrunner



Co – Lead Manager



Lead Receiving Bank



Co - Lead Receiving Bank



Placement Agent in the GCC



TAIB Bank B.S.C.(c)

Receiving Banks & Institutions in the UAE



Receiving Bank in the GCC

Qatar

Oman

Bahrain



This Prospectus is Dated May 6, 2007