

Nakheel PJSC and its Subsidiaries

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2009

Nakheel PJSC and its Subsidiaries

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MANAGEMENT REPORT

Overview

During the first half of 2009 the global economy continued to face significant challenges. The Dubai real estate market was impacted and as a result Nakheel sales volumes and transaction activity remained low. Given these difficult conditions Nakheel remained focused on cashflow maximization while working to meet its commitment to customers to deliver high quality finished product.

Considerable effort has been taken to reduce capital expenditure by scaling down or slowing some development activities to beyond 2012. Furthermore, Nakheel is phasing the delivery of associated infrastructure in accordance with market demand and the stage of development of individual projects, thereby allowing the company to reduce its overall levels of immediate and medium term cash investment.

Nakheel has continued to take steps to reduce its operational and overhead expenditure. The Group's cost base is regularly reviewed to ensure that Nakheel is appropriately sized to meet market opportunities and challenges.

Review of Operations and Results

In light of the challenging market environment Nakheel has reviewed the carrying value of all its assets to ensure that they are reflected in the financial statements at a prudent estimate of their future recoverable amount. This resulted in impairment and termination charges of AED 13.21 billion in the period. The impairment charge primarily relates to the write-down in the value of land to current fair market levels and the write-down of certain properties under construction relating to projects that have been delayed or scaled back.

Financial Review – Income Statement

With effect from 1 January 2009 Nakheel has moved to recognizing revenue on built form properties upon handover (in accordance with IFRIC 15)ⁱ rather than recognizing revenues on a percentage of completion basis.

Revenue for the six months to June 2009 was AED 1.97 billion compared to revenue for the six months to June 2008 of AED 9 billion (after restatement on a comparable basis)¹. Revenues were driven by the handover of properties in several of Nakheel's flagship developments, mainly Discovery Gardens and Palm Jumeirah. Cost of revenue was AED 1.33 billion for the six months to June 2009 compared to AED 5.43 billion for the six months to June 2008.

Gross profit for the six months to June 2009 was AED 0.64 billion compared to AED 3.57 billion for the six months to June 2008. Gross profit margin decreased from 40% in the first half of 2008 to 33% for the same period in 2009. This decline is in line with the difference in the sales mix between the two periods.

ⁱ Please refer to Note 2 of the accompanying Interim Condensed Consolidated Financial Statements for an explanation of IFRIC 15 and the effects of its implementation

MANAGEMENT REPORT (continued)

Financial Review – Income Statement (continued)

Selling and marketing expenses were AED 0.15 billion for the six months to June 2009 down from AED 0.36 billion for the six months to June 2008. This reduction was the result of lower marketing and branding spend and was in line with our ongoing efforts to reduce operational overheads.

General and administrative expenses increased to AED 0.68 billion for the six months to June 2009 compared to AED 0.58 billion for the six months to June 2008. This increase was the result of certain provisions taken in the period and the timing of liabilities associated with the reductions in headcount.

Financial Review – Balance Sheet

Total assets decreased during the six months to June 2009 to AED 147.01 billion compared to AED 155.52 billion in December 2008. This decrease was driven primarily by the impairment of land and properties under construction.

Total Liabilities increased by AED 4.90 billion in the six months to June 2009 mainly due to increases in accounts payable and accruals which include funds received from a related party.

Future Focus

The immediate priority for Nakheel is to ensure the completion of projects under construction and the fulfillment of the company's commitment to customers of delivering high quality finished product.

In addition, management remains focused on maximizing collections while controlling capital and operating expenditure. Debt maturities occurring in the coming 12 months are being addressed in conjunction with support from Nakheel's parent Dubai World.

Nakheel's commitment to deliver desirable communities that help attract residents and tourists to Dubai, as well as the efficient cost management of these communities remains intact. Nakheel has played and will continue to play an active role in the transformation of Dubai into a modern metropolis – a center for living, leisure and tourism.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NAKHEEL PJSC**Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Nakheel PJSC and its subsidiaries ('the Group') as at 30 June 2009, comprising the interim consolidated statement of financial position as at 30 June 2009 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

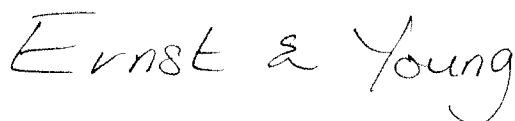
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

As discussed in note 2 to the financial statements under "Impact of the Global Crisis on Funding", the ultimate parent of the Group intends to enter into discussions with its providers of financing on restructuring of the Group's debt facilities. The outcome of any such discussions cannot be determined at this stage.



Signed by:
Joseph A. Murphy
Partner
Registration No. 492
For Ernst & Young

26 November 2009

Dubai, United Arab Emirates

Nakheel PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 June</i>	
		2009 <i>AED'000</i>	2008 <i>AED'000</i> <i>(Restated)*</i>
Revenue		1,969,788	9,003,657
Cost of revenue		(1,327,418)	(5,430,731)
GROSS PROFIT		642,370	3,572,926
Other income		218,439	34,985
Selling and marketing expenses		(153,723)	(361,849)
General and administration expenses		(683,698)	(581,333)
Contract termination costs	3	(988,993)	-
Impairment losses	4	(12,221,260)	-
Finance income		471,525	41,808
Finance costs		(716,486)	(58,563)
(LOSS) PROFIT FOR THE PERIOD**		(13,431,826)	2,647,974
Attributable to the equity holders of the parent		(13,431,826)	2,647,974
Earnings per share attributable to the equity holders of the parent:			
- basic and diluted earnings per share		(AED 16.22)	AED 3.20

* Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments and reclassifications made as detailed in note 2 and note 8 respectively.

** The Group is not subject to corporate taxation.

Nakheel PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009 (Unaudited)

	<i>Six months ended 30 June</i>	
	2009 <i>AED'000</i>	2008 <i>AED'000</i> <i>(Restated)*</i>
(Loss) profit for the period	(13,431,826)	2,647,974
<i>Other comprehensive income (loss):</i>		
Changes in fair value of interest rate swaps	-	(12,033)
Changes in fair value of interest rate collars	17,945	(18,869)
Other comprehensive income (loss) for the period	17,945	(30,902)
Total comprehensive (loss) income for the period	(13,413,881)	2,617,072
Attributable to equity holders of the parent	(13,413,881)	2,617,072

* Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments and reclassifications made as detailed in note 2 and note 8 respectively.

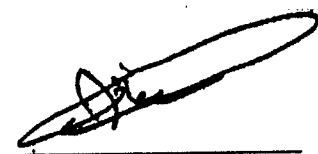
Nakheel PJSC and its Subsidiaries


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Note	30 June 2009 AED'000 (Unaudited)	31 December 2008 AED'000 (Audited) (Restated)*
ASSETS			
Bank balances and cash		508,181	1,967,011
Receivables and prepayments		17,623,034	18,471,273
Loans to a related party	6	9,769,078	9,286,335
Investment in a joint venture		300	300
Properties under construction		112,785,558	119,733,432
Investment properties		4,711,791	3,528,971
Property, plant and equipment		1,607,440	2,534,406
TOTAL ASSETS		147,005,382	155,521,728
LIABILITIES AND EQUITY			
Liabilities			
Derivative financial instruments		466,828	504,904
Accounts payable and accruals		28,586,577	22,792,115
Advances		27,866,857	28,759,093
Employees' end of service benefits		68,190	76,962
Term loans		16,337,656	16,295,499
Total liabilities		73,326,108	68,428,573
Equity			
Share capital		82,790,729	82,790,729
Restricted reserve		168,047	168,047
(Accumulated losses) retained earnings		(9,124,375)	4,307,451
Cumulative changes in fair values		(155,127)	(173,072)
Total equity		73,679,274	87,093,155
TOTAL LIABILITIES AND EQUITY		147,005,382	155,521,728

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on ~~26 November~~ 2009 and signed on its behalf by:


Chairman


Chief Executive Officer


Senior Director Finance

* Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments and reclassifications made as detailed in note 2 and note 8 respectively.

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

Nakheel PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009 (Unaudited)

	Notes	Six months ended 30 June	
		2009 AED'000	2008 AED'000 (Restated)*
OPERATING ACTIVITIES			
(Loss) profit for the period		(13,431,826)	2,647,974
Adjustments for:			
Impairment losses	4	12,221,260	-
Provision for contract termination costs	3	988,993	-
Finance costs		716,486	58,563
Depreciation		219,354	132,194
Provision for onerous contracts	3	8,752	378,107
Loss on disposal of investment properties		3,721	-
Provision for employees' end of service benefits, net		(8,772)	30,151
Finance income		(471,525)	(41,808)
		246,443	3,205,181
Working capital changes:			
Receivables and prepayments		569,033	(4,214,973)
Properties under construction		(7,079,832)	(5,221,181)
Accounts payable and accruals		4,249,187	1,650,408
Advances		(1,011,228)	4,966,107
Cash (used in) from operations		(3,026,397)	385,542
Interest paid		(453,413)	(58,563)
Net cash (used in) from operating activities		(3,479,810)	326,979
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(123,050)	(578,616)
New loans to a related party	6	(482,743)	(5,930,875)
Loans repaid by a related party	6	-	3,655,133
Additions to investment properties		(558,258)	-
Proceeds from disposal of investment properties		103,000	-
Interest received		72,969	41,808
Net cash used in investing activities		(988,082)	(2,812,550)
FINANCING ACTIVITIES			
Funding from a related party		3,014,692	-
New term loans		145,000	6,280,362
Repayment of term loans		(150,630)	(65,219)
Net cash from financing activities		3,009,062	6,215,143
(DECREASE) INCREASE IN BANK BALANCES AND CASH		(1,458,830)	3,729,572
Bank balances and cash at the beginning of the period		1,967,011	2,717,673
BANK BALANCES AND CASH AT THE END OF THE PERIOD		508,181	6,447,245

* Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments and reclassifications made as detailed in note 2 and note 8 respectively.

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

Nakheel PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital AED '000	Restricted reserve AED '000	(Accumulated losses)/ Retained earnings AED '000	Cumulative changes in fair values AED '000	Total AED '000
Balance at 1 January 2009 (Audited)	82,790,729	168,047	5,531,551	(173,072)	88,317,255
Effect of changes in accounting policy (note 2)	-	-	(1,224,100)	-	(1,224,100)
Balance at 1 January 2009 (Restated) *	82,790,729	168,047	4,307,451	(173,072)	87,093,155
Loss for the period	-	-	(13,431,826)	-	(13,431,826)
Other comprehensive income for the period	-	-	-	17,945	17,945
Total comprehensive (loss) income for the period	-	-	(13,431,826)	17,945	(13,413,881)
Balance at 30 June 2009 (Unaudited)	82,790,729	168,047	(9,124,375)	(155,127)	73,679,274
Balance at 1 January 2008 (Audited)	82,790,729	167,597	5,036,531	(87,565)	87,907,292
Effect of changes in accounting policy	-	-	(1,233,975)	-	(1,233,975)
Balance at 1 January 2008 (Restated) *	82,790,729	167,597	3,802,556	(87,565)	86,673,317
Profit for the period (Restated)	-	-	2,647,974	-	2,647,974
Other comprehensive loss for the period	-	-	-	(30,902)	(30,902)
Total comprehensive income (loss) for the period	-	-	2,647,974	(30,902)	2,617,072
Balance at 30 June 2008 (Unaudited)	82,790,729	167,597	6,450,530	(118,467)	89,290,389

* Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments and reclassifications made as detailed in note 2 and note 8 respectively.

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

1 STATUS AND ACTIVITIES

Nakheel PJSC (the Company) is a private joint stock company registered in the Emirate of Dubai, United Arab Emirates. The Company and its subsidiaries constitute the Group (the Group). The Company is held by Nakheel Holdings 1 LLC, Nakheel Holdings 2 LLC and Nakheel Holdings 3 LLC, respectively (the Parent Group). The intermediate parent is Nakheel World LLC and the ultimate parent is Dubai World.

The Company's registered office is at P.O. Box 17777, Dubai, United Arab Emirates.

The Group's activities include property development, property investment, property management services and fund management services.

A full listing of all subsidiaries, special purpose entities and joint ventures is contained in note 7 to these interim condensed consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34, Interim Financial Reporting and applicable requirements of the United Arab Emirates laws.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2008. In addition, results for the six months ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency and all values are rounded to the nearest thousand except where otherwise indicated.

Accounting convention

The interim condensed consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

Impact of the Global Crisis on Funding

In response to the global economic downturn, the management has undertaken a variety of initiatives to ensure the continued operation of the Group and to safeguard its ability to meet its financial commitments. These include the postponement or scaling back of a number of its projects with a consequent reduction in the Group's headcount. The Group has also undertaken a reorganisation and restructuring of its core real estate activities in conjunction with a number of cost rationalisation initiatives in order to achieve significant reductions in its future development expenditure and operating overheads.

The Group's shareholders are committed to providing continuing support to the Group to enable it to meet its financial commitments. The Group has received significant funds from Dubai World in the current period and subsequent to the period-end.

Furthermore, on 25 November 2009, the Government of Dubai issued a statement that the ultimate parent of the Group intends to request all providers of financing to the Group for a "standstill" and extension of the maturities of such facilities until at least 30 May 2010. Whilst the management and shareholders remain optimistic, the outcome of such a request cannot currently be determined.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below. Except for the impact of IFRIC 15, adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued in November 2007 and is effective for annual periods commencing on or after 1 January 2009. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has concluded that the operating segments determined in accordance with the requirements of IFRS 8 are the same as previously reported as business segments in accordance with IAS 14.

IAS 1 Revised Presentation of Financial Statements

The revised standard was issued in September 2007 and is effective for annual periods commencing on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with Owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The application of this standard has resulted in amendments to the presentation of the interim condensed consolidated financial statements. The Group has opted to present all items of recognised income and expense in two linked statements.

IAS 23 Borrowing Costs

The Group has adopted IAS 23 (Revised) *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009). The principal change to the Standard, which was to eliminate the previously available option to expense all borrowing costs when incurred, has no impact on these interim condensed consolidated financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

IAS 27 Consolidated and Separate Financial Statements

The amendment to IAS 27 removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. This revision is effective for annual periods beginning on or after 1 January 2009. The revision has been applied prospectively. The amendment has no impact on the financial position or performance of the Group.

IAS 32 (Amendment), 'Financial Instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable Financial Instruments and Obligations Arising on Liquidation'

An amended IAS 32 *Financial Instruments: Presentation* and IAS 1, *Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation* were issued in February 2008 and is effective for annual periods commencing on or after 1 January 2009. The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The amendment has no impact on the financial position or performance of the Group.

IAS 40 Investment Properties

With effect from 1 January 2009, the scope of the standard has been revised such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. There was also a revision of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and a clarification that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability. Management has adopted the revisions to the standard as at 1 January 2009 and determined that the revision has resulted in reclassification at 1 January 2009 of AED 908,405 thousand of properties under construction or development for future use as an investment property previously included under property, plant and equipment to investment properties. These changes have no impact on the consolidated income statement or on consolidated net assets as the Group follows the cost model for accounting of investment properties.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 Agreements for the Construction of Real Estate was issued in July 2008 and became effective for annual periods beginning on or after 1 January 2009. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The Group has reviewed the impact of IFRIC 15 using the guidelines of the interpretation and has determined the appropriate accounting policy for revenue recognition.

The following revised accounting policy adopted in compliance with IFRIC 15 is applicable with effect from 1 January 2009:

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue on sale of plots of land, buildings, condominiums and villas is recognised on transfer of risks and rewards of ownership of the property in its entirety at a single point in time. Risk and rewards of ownership of a property are transferred at the time when the buyer takes possession of the property.

The impact of the application of this new accounting policy is that transactions which in the past recognised revenue progressively throughout the construction period will now not have revenue recognised until the time of handover to the buyer.

Accordingly, the comparative figures have been restated and the net impact has been adjusted in the opening balance of retained earnings as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRIC 15 Agreements for the Construction of Real Estate. The effects of the change in accounting policy are given below:

Income statement

Six months ended 30 June 2008

	<i>As previously reported AED'000</i>	<i>Adjustment AED'000</i>	<i>Restated AED'000</i>
Revenue*	7,010,149	1,389,240	8,399,389
Cost of revenue	(3,857,175)	(1,573,556)	(5,430,731)
	<u>2,832,290</u>	<u>(184,316)</u>	<u>2,647,974</u>
Profit for the period			
	<u>2,832,290</u>	<u>(184,316)</u>	<u>2,647,974</u>
Earnings per share			
Earnings per share attributable to equity holders of the parent (in AED)	<u>AED 3.42</u>	<u>(AED 0.22)</u>	<u>AED 3.20</u>

Statement of financial position

At 31 December 2008

	<i>As previously reported AED'000</i>	<i>Adjustment/ reclassification AED'000</i>	<i>Restated AED'000</i>
Assets			
Receivables and prepayments	18,438,165	33,108	18,471,273
Properties under construction	116,795,619	2,937,813	119,733,432
	<u>135,233,784</u>	<u>2,970,921</u>	<u>138,204,705</u>
Liabilities			
Accounts payable and accruals	22,308,589	483,526	22,792,115
Advances	25,047,598	3,711,495	28,759,093
	<u>47,356,187</u>	<u>4,195,021</u>	<u>51,551,208</u>
Equity			
Retained earnings	5,531,551	(1,224,100)	4,307,451

*Restated revenue of AED 8,399,389 thousand excludes the effect of reclassification of comparative information as detailed in note 8.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations effective in 2009 but not relevant to the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

IFRS 2 'Share-based Payment – Vesting Conditions and Cancellations'

The IASB issued an amendment to IFRS 2 in January 2008 and which is effective for annual periods commencing on or after 1 January 2009. The standard has been amended to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled.

In June 2009, the standard has been amended to clarify the accounting for Group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another Group entity or shareholder has the obligation to settle the award. The amendment is effective for annual periods beginning on or after 1 January 2010.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

An amended IAS 20 Accounting for Government Grants and Disclosure of Government Assistance was issued in May 2008 and is effective for annual periods commencing on or after 1 January 2009. The standard has been amended to include the benefit of a below market rate government loan to be measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.

IAS 29 Financial reporting in hyperinflationary economies

The amendment to the standard was issued in May 2008 and is effective for annual periods commencing on or after 1 January 2009. The standard has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

IAS 41 Agriculture

The amendment to the standard was issued in May 2008 and is effective for annual periods commencing on or after 1 January 2009. The standard has been amended to require the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and is effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

IFRIC 9 and IAS 39 Embedded Derivatives

In March 2009, the standard has been amended to clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IASB Standards and Interpretations in issue but not yet effective and not early adopted by the Group

The following IASB Standards and Interpretations were in issue as at the date of authorisation of financial statements but are not yet effective, and have not been early adopted by the Group:

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements

A revised IFRS 3 Business Combinations and a revised IAS 27 Consolidated and Separate Financial Statements are effective for annual periods beginning on or after 1 July 2009. These revisions to IFRS 3 and IAS 27 will impact the manner in which business combinations are identified and accounted for. The revised IAS 27 will impact the Group, when its percentage holdings in subsidiaries decrease or increase without resulting in a loss of control, by taking the gains and losses directly to equity instead of through the consolidated income statement. Further, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply these revisions prospectively to all business combinations from 1 January 2010.

IFRS 5 Non-current assets held-for-sale and discontinued operations

The amendment to IFRS 5 clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The amendment was issued in May 2008 and becomes effective for annual periods commencing on or after 1 July 2009. The amendment is not expected to have any material impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures (Improving Disclosures about Financial Instruments)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The amendment was issued in March 2009 and becomes effective for annual periods commencing on or after 1 July 2009. The Group has elected not to provide comparative information for these expanded disclosures in the current year.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for annual periods commencing on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular circumstances. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment is not expected to have a material impact on the financial position or performance of the Group.

IFRIC 17 Distribution of Non-Cash Assets to Owners

IFRIC Interpretation 17 was issued in November 2008 and becomes effective for annual periods beginning on or after 1 July 2009. This interpretation applies to all non-reciprocal distributions of non-cash assets by an entity to its owners acting in their capacity as owners and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. This interpretation applies only to distributions in which all owners of the same class of equity instruments are treated equally. The management is currently assessing the impact of this interpretation on the financial position or performance of the Group.

IFRIC 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Improvements to IFRSs

In April 2009 the International Accounting Standards Board issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording.

IFRS 2 Share-based Payment

With effect from annual periods beginning on or after 1 July 2009, the standard has been amended to revise the definition of business combination in accordance with IFRS 3 Business Combinations (as revised in 2008). Further, the standard was amended to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2. The amendment is not expected to have any impact on the financial position or performance of the Group.

IFRS 5 Non-current assets held-for-sale and discontinued operations

The scope of the standard was amended to clarify that IFRS 5 and other standards that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations. Further, additional disclosures about non-current assets (or disposal groups) classified as held for sale may be necessary to comply with the requirements of IAS 1. The amendment becomes effective for annual periods beginning on or after 1 January 2010. The amendment is not expected to have any material impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

The standard has been amended to clarify that disclosure on the measure of segment assets is required in the segment information only if it is regularly provided to the chief operating decision maker. Segment information for the prior years shall be restated to conform to the amendment. The amendment becomes effective for annual periods beginning on or after 1 January 2010. The amendment is not expected to have any material impact on the financial position or performance as the Group provides the measure of segment assets as part of the segment information.

IAS 1 Presentation of Financial Statements

The amendment becomes effective for annual periods beginning on or after 1 January 2010 and applies to the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. The amendment is not expected to have any impact on the financial position or performance of the Group.

IAS 7 Statement of Cash Flows

With effect from annual periods beginning on or after 1 January 2010, the standard has been amended to include that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. The amendment is not expected to have any material impact on the financial position or performance of the Group.

IAS 17 Leases

The standard has been amended to clarify that the classification of land leases should reflect the substance of the transaction and is to be classified in accordance with the general requirements of IAS 17 Leases. The amendment deleted the reference to the requirement that a lease of land with an indefinite economic life to be normally classified as an operating lease, unless title is expected to pass to the lessee by the end of the lease term. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments). The amendment is not expected to have any material impact on the financial position or performance of the Group.

IAS 18 Revenue

The amendment to the standard was issued in April 2009 to facilitate the determination of whether an entity is acting as principal or as an agent. The standard has been amended to clarify that an entity acts as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. When the exposure to the significant risks and rewards associated with the sale of goods or the rendering of services is not with the entity, it acts as an agent. The amendment is not expected to have any material impact on the financial position or performance of the Group.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Improvements to IFRSs (continued)

IAS 36 Impairment of assets

With effect from annual period beginning on or after 1 January 2010, the standard has been amended to clarify that the each cash generating unit or group of units to which goodwill is allocated shall be not larger than the operating segment level as defined in paragraph 5 of IFRS 8 before aggregation. The amendment is not expected to have any material impact on the financial position or performance of the Group.

IAS 38 Intangible Assets

The standard has been amended to clarify that an intangible assets acquired in a business combination might be separable, from the goodwill acquired in a business combination, only with a related contract, identifiable asset or liability. The acquirer recognises such intangible assets, including the related asset or liability, separately from goodwill. The acquirer may recognise a group of complementary intangible assets having similar useful lives as a single asset. Further, the standard was amended to clarify the description of fair valuation techniques commonly used to measure intangible assets not traded in an active market. The amendment becomes effective for annual periods beginning on or after 1 July 2009. The amendment is not expected to have any impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement

The standard has been amended for the following:

- With effect from 1 January 2009, reference to the application of hedge accounting at the segment level is removed.
- With effect from 1 January 2010, the scope has been amended to exclude forward contracts between an acquirer and a selling shareholder that would result in a business combination at a future acquisition date. The amendment clarifies that the exclusion should not be applied to option contracts, whether or not currently exercisable, that on exercise will result in control of an entity.
- With effect from 1 January 2010, the standard has been amended to clarify that the gains or losses recognised in other comprehensive income relating to the hedge of a forecast transaction, which has resulted in the recognition of a financial asset or a liability, should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss.

The amendments are not expected to have any impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives

The scope of the interpretation was amended to clarify that IFRIC 9 does not apply to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. The amendment becomes effective for annual periods beginning on or after 1 July 2009. The amendment is not expected to have any impact on the financial position or performance of the Group.

IFRIC16 Hedges of a Net Investment in a Foreign Operation

The interpretation has been amended to clarify that hedging instruments may be held by any entity or entities within the Group. The amendment becomes effective for annual periods beginning on or after 1 July 2009. The amendment is not expected to have any material impact on the financial position or performance of the Group as the Group does not have foreign operations.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

3 SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments.

Real estate segment:

The real estate segment is engaged in developing and selling buildings, condominiums, villas and plots of land and related leasing activities.

Other segments:

Other segments include businesses that individually do not meet the criteria for a reportable segment as per IFRS 8. These businesses are property management, community management, franchising and other services.

The reportable operating segments derive their revenue primarily from the sale of plots of land, buildings, villas, condominiums, rental income from investment properties, administration charges collected from re-sale of properties by customers, interest charges collected for late payment by customers and property management fees.

Revenue from sources other than the above operating segments is included in other operating income.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated on consolidation.

Geographical information:

The Group is presently engaged in property development, property investment, fund management and property management services in the Emirate of Dubai. Therefore, the revenue, expense, assets and liabilities of the Group mainly represent business activities of the Group within United Arab Emirates.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

3 SEGMENT INFORMATION (continued)

Operating Segments

The following tables represent revenue and profit (loss) information regarding the Group's operating segments for the six months ended 30 June 2009 and 30 June 2008 and assets and liabilities information as at 30 June 2009 and 31 December 2008.

Six months ended 30 June 2009 (Unaudited)

	<i>Real estate</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Eliminations</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue				
Sales to external customers (refer note (i) below)	1,775,808	30,143	-	1,805,951
Sales to related parties	140,980	22,857	-	163,837
Inter-segment sales	-	22,037	(22,037)	-
Total revenue	<u>1,916,788</u>	<u>75,037</u>	<u>(22,037)</u>	<u>1,969,788</u>
Results				
Loss before finance costs and finance income	(13,093,370)	(93,495)	-	(13,186,865)
Finance costs	(713,318)	(3,168)	-	(716,486)
Finance income	287,910	183,615	-	471,525
(Loss) profit for the period	<u>(13,518,778)</u>	<u>86,952</u>	<u>-</u>	<u>(13,431,826)</u>
Capital expenditure (refer note (ii) below)	<u>658,410</u>	<u>22,898</u>	<u>-</u>	<u>681,308</u>
Other material non-cash items				
Depreciation	<u>209,909</u>	<u>9,445</u>	<u>-</u>	<u>219,354</u>
Impairment losses (note 4)	<u>12,221,260</u>	<u>-</u>	<u>-</u>	<u>12,221,260</u>
Contract termination costs (refer note (iii) below)	<u>988,993</u>	<u>-</u>	<u>-</u>	<u>988,993</u>
Provision for onerous contracts	<u>8,752</u>	<u>-</u>	<u>-</u>	<u>8,752</u>
At 30 June 2009 (Unaudited)				
Assets and liabilities				
Segment assets	136,775,442	10,229,640	-	147,005,082
Investment in a joint venture	300	-	-	300
Total assets	<u>136,775,742</u>	<u>10,229,640</u>	<u>-</u>	<u>147,005,382</u>
Segment liabilities	<u>72,481,829</u>	<u>844,279</u>	<u>-</u>	<u>73,326,108</u>

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

3 SEGMENT INFORMATION (continued)

Operating Segments (continued)

Six months ended 30 June 2008 (Unaudited)
(Restated)*

	<i>Real estate</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Eliminations</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Revenue				
Sales to external customers (refer note (i) below)	8,980,298	23,359	-	9,003,657
Inter-segment sales	-	34,450	(34,450)	-
Total revenue	<u>8,980,298</u>	<u>57,809</u>	<u>(34,450)</u>	<u>9,003,657</u>
Results				
Profit (loss) before finance costs and finance income	2,677,224	(9,389)	(3,106)	2,664,729
Finance costs	(58,563)	-	-	(58,563)
Finance income	12,266	29,542	-	41,808
Profit for the period	<u>2,630,927</u>	<u>20,153</u>	<u>(3,106)</u>	<u>2,647,974</u>
Capital expenditure (refer note (ii) below)	571,496	7,120	-	578,616
Other material non-cash items				
Depreciation	130,032	2,162	-	132,194
Provision for onerous contracts	378,107	-	-	378,107
<i>At 31 December 2008 (Audited)</i> <i>(Restated)*</i>				
Assets and liabilities				
Segment assets	145,808,607	9,860,821	(148,000)	155,521,428
Investment in a joint venture	300	-	-	300
Total assets	<u>145,808,907</u>	<u>9,860,821</u>	<u>(148,000)</u>	<u>155,521,728</u>
Segment liabilities	67,715,021	713,552	-	68,428,573

* Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments and reclassifications made as detailed in note 2 and note 8 respectively.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

3 SEGMENT INFORMATION (continued)

Operating Segments (continued)

Notes:

- (i) Sales to external customers reported in the operating segments are measured in a manner consistent with that in the interim consolidated income statement. Analysis of revenue from external customers is as follows:

	<i>30 June 2009 AED'000 (Unaudited)</i>	<i>30 June 2008 AED'000 (Unaudited)</i>
Real estate segment:		
Sale of plots of land	123,519	4,763,386
Sale of buildings and condominiums	943,413	1,799,730
Sale of villas	241,767	1,511,160
Rental income	425,983	312,175
Administration charges collected from re-sale of property by customers	14,899	408,033
Interest charges collected for late payment by customers	17,127	185,814
District cooling and service charges	9,100	-
	1,775,808	8,980,298
Other segments:		
Administration charges collected from re-sale of property by customers	1,920	4,211
Property management fees	28,223	17,040
District cooling and service charges	-	2,108
	30,143	23,359

- (ii) Capital expenditures consist of additions to property, plant and equipment and investment properties.
- (iii) Contract termination costs pertain to the amounts estimated to be paid to contractors on cancellation or delay of certain projects developed by the Group. The accruals are based on the claims submitted by the project contractors and represents management's best estimate of the amounts required to settle the claims. The accruals are included under accounts payables and accruals.
- (iv) Assets and liabilities are allocated based on the operations of the segment and are consistent with the information reported to the management. The assets and liabilities allocated to each segment are measured in a manner consistent with that of the consolidated financial statements. There have been no changes to the measurement basis for the segment assets and liabilities since 31 December 2008.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

4 IMPAIRMENT LOSSES

Impairment losses relates to the following:

	<i>30 June 2009 AED'000 (Unaudited)</i>	<i>30 June 2008 AED'000 (Unaudited)</i>
On financial assets:		
Impairment of trade receivables (refer note (i) below)	623,590	-
On others:		
Impairment of properties under construction (refer note (ii) below)	11,318,797	-
Impairment of property, plant and equipment (refer note (iii) below)	209,106	-
Impairment of unbilled revenue (refer note (iv) below)	28,974	-
Impairment of investment properties (refer note (v) below)	40,793	-
	12,221,260	-

- (i) Impairment of trade receivables relates to the write-down of the carrying amount of trade receivables attributable to the Group's real estate segment.
- (ii) Impairment losses mainly includes the cost of land written off to the extent of AED 9,279,843 thousand to reflect the current fair market value of land. Impairment losses also include AED 2,038,954 thousand written off on certain projects which have been delayed or scaled down. The management no longer considers these project costs to be fully recoverable and has written down the carrying value to their estimated recoverable amounts. The impairment losses relates to assets included under the Group's real estate segment.
- (iii) Impairment of property, plant and equipment mainly relates to the write-off on certain property, plant and equipment to reflect their estimated recoverable amounts. The impairment losses relates to assets included under the Group's real estate segment.
- (iv) Impairment of unbilled revenue relates to the write-down of the carrying amount of unbilled revenue attributable to the Group's real estate segment.
- (v) Impairment of investment properties mainly relates to the write-off on certain investment properties under construction. The impairment losses relates to assets included under the Group's real estate segment.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

5 COMMITMENTS AND CONTINGENCIES

Expenditure commitments

Estimated expenditure contracted for as at the period end amounted to AED 17,204,045 thousand (31 December 2008: AED 51,015,749 thousand). This represents the value of contracts issued as of 30 June 2009 net of invoices received and accruals made at that date.

This expenditure is to be financed out of the amounts already received and expected to be received from customers for the sale of properties in accordance with property sale agreements and borrowings from financial institutions and related parties. These commitments are expected to be settled within the duration of the projects under development.

Operating lease commitments

The Group does not have any non-cancellable operating lease agreements.

Sukuk 1

In December 2006, Nakheel Development Limited (the "Issuer"), a company registered in Jebel Ali Free Zone, issued Sukuk Certificates (the "Certificates") amounting to USD 3.52 billion with subscription rights. These Certificates are listed on the NASDAQ Dubai (formerly Dubai International Financial Exchange (DIFX)) and are due in December 2009.

The Certificates entitle their holders to subscribe for any Qualified Public Offering (QPO) shares issued by Nakheel PJSC at a discount of 5%. They also place certain financial covenants in respect of financial indebtedness, sale of assets, etc, on Nakheel PJSC, with which it is in compliance.

Sukuk 2

On 16 January 2008, Nakheel Development 2 Limited, a free zone company, issued trust certificates (Sukuk 2) amounting to USD 750 million (equivalent AED 2,755 million). The Sukuk 2 is listed on the NASDAQ Dubai (formerly DIFX) and is due in 2011. The Sukuk 2 carries a fixed profit distribution rate (coupon) of 5.5%.

The Certificates entitle their holders to subscribe for any Qualified Public Offering (QPO) shares issued by Nakheel PJSC at a discount of 5%. They also place certain financial covenants in respect of financial indebtedness, sale of assets, etc, on Nakheel PJSC, with which it is in compliance.

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

6 RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence i.e. part of the same Ultimate Parent Group (Dubai World). Dubai World is owned by the Government of Dubai.

The Ultimate Parent Group operates a Shared Services Unit (SSU) which provides certain administrative services to the Group. SSU recharges the proportionate costs of services provided to the Group.

Transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	<i>30 June 2009 AED'000 (Unaudited)</i>	<i>30 June 2008 AED'000 (Unaudited)</i>
<i>Ultimate parent:</i>		
Interest income	<u>183,616</u>	<u>59,413</u>
Management fee expense	<u>27,644</u>	<u>28,077</u>
Finance costs	<u>4,271</u>	<u>28,616</u>
Funding received	<u>3,014,692</u>	<u>-</u>
<i>Entities under common control of ultimate parent:</i>		
Revenue	<u>125,858</u>	<u>-</u>
Shared services costs	<u>22,658</u>	<u>35,967</u>
Finance costs	<u>23,305</u>	<u>3,812</u>
Management fee expense	<u>5,795</u>	<u>-</u>
Sales commission	<u>-</u>	<u>12,900</u>
<i>Other related parties:</i>		
Revenue	<u>37,979</u>	<u>-</u>
Interest on notes receivable	<u>13,841</u>	<u>12,264</u>
Service income	<u>93,849</u>	<u>-</u>
Finance costs	<u>27,709</u>	<u>-</u>
Purchase of plots of land	<u>-</u>	<u>1,133,000</u>

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

6 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2009		31 December 2008	
	<i>Amounts due from related parties</i>	<i>Amounts due to related parties</i>	<i>Amounts due from related parties</i>	<i>Amounts due to related parties</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Entities under common control of ultimate parent	7,440,756	849,992	7,024,758	679,238
Parent Group *	1,419,357	3,014,692	418,980	-
Intermediate parent	624,077	-	458,081	-
Ultimate parent	139,896	-	17,783	-
Joint venture	17,662	-	17,662	-
Other related parties	489,800	1,053,970	443,152	983,035
Shareholders (see note below)	-	2,189,437	-	2,847,312
	<u>10,131,548</u>	<u>7,108,091</u>	<u>8,380,416</u>	<u>4,509,585</u>

* Amounts due to parent group represent funds received from the ultimate parent during the period. Subsequent to the period end, the ultimate parent has assigned this receivable to a party related to the Shareholders. Under the terms of the assignment, the receivable has been converted in to a loan. The loan is secured over certain properties held by the Group. Other commercial terms of the loan are yet to be finalised.

Outstanding balances at the period-end arise in the normal course of business. For the periods ended 30 June 2009 and 31 December 2008, the Group has not recorded any impairment of amounts owed by related parties.

Shareholders' current account

	30 June 2009	31 December 2008
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at 1 January	2,847,312	5,263,338
On acquisition of an entity under common control ³	-	300
Costs of properties transferred to shareholders	(549,458)	(1,123,190)
Payments made on behalf of shareholders, net	(108,417)	(1,293,136)
Balance at 30 June / 31 December	<u>2,189,437</u>	<u>2,847,312</u>

The amounts payable to the shareholders arise from the purchase of land and rights to reclaim land offshore from the shareholders.

Loans to a related party

Loans to a related party represent amounts advanced to Dubai World, the ultimate Parent. These loans are short-term in nature, unsecured and carry an effective interest rate of 2.38 % (2008: 3%).

	30 June 2009	31 December 2008
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at 1 January	9,286,335	2,485,140
Loans advanced during the period / year	482,743	11,007,354
Loan repayments received during the period / year	-	(4,206,159)
Balance at 30 June / 31 December	<u>9,769,078</u>	<u>9,286,335</u>

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

7 SUBSIDIARIES, SPECIAL PURPOSE ENTITIES AND JOINT VENTURES

The extent of the Company's beneficial ownership in subsidiaries, special purpose entities and joint ventures and their principal activities are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Beneficial ownership interest (%)</i>
Subsidiaries:			
The Palm-Jumeirah Co. LLC	United Arab Emirates	Property development	100
The Palm-Jebel Ali Co. LLC	United Arab Emirates	Property development	100
The Gardens Co. LLC	United Arab Emirates	Property development	100
Jumeirah Islands Co. LLC	United Arab Emirates	Property development	100
International City LLC	United Arab Emirates	Property development	100
The World LLC	United Arab Emirates	Property development	100
Al Furjan LLC	United Arab Emirates	Property development	100
Jumeirah Village LLC	United Arab Emirates	Property development	100
The Palm-Deira LLC	United Arab Emirates	Property development	100
Dubai Waterfront LLC	United Arab Emirates	Property development	100
Dubai Palm Developers LLC	United Arab Emirates	Property development	100
Palm Island FZE	United Arab Emirates	Property development	100
The Trump Marina Residences LLC	United Arab Emirates	Property development	100
The Trump Plaza LLC	United Arab Emirates	Property development	100
Jumeirah Horizon LLC	United Arab Emirates	Property development	100
Palm Gateway Towers LLC	United Arab Emirates	Property development	100
Discovery Gardens LLC	United Arab Emirates	Property development	100
Jumeirah Park LLC	United Arab Emirates	Property development	100
Jebel Ali Village LLC	United Arab Emirates	Property development	100
Nakheel Infrastructure Properties LLC	United Arab Emirates	Property development	100
Nakheel Commercial Properties LLC	United Arab Emirates	Property development	100
Nakheel Residential Properties LLC	United Arab Emirates	Property development	100
Nakheel Retail Properties LLC	United Arab Emirates	Property development	100
Nakheel International Realty LLC	United Arab Emirates	Property development	100
Waterfront LLC	United Arab Emirates	Property development	100
Jumeirah Heights LLC	United Arab Emirates	Property development	100
Burj Nakheel LLC	United Arab Emirates	Property development	100
Dubai Promenade LLC	United Arab Emirates	Property development	100
Madinat Al Arab LLC	United Arab Emirates	Property development	100
Lost City Developments LLC	United Arab Emirates	Property development	100
Nakheel Investment Projects LLC	United Arab Emirates	Property development	100
Nakheel Asset Management LLC	United Arab Emirates	Property development and management	100
Nakheel Facilities Management LLC	United Arab Emirates	Property development and management	100
Strata Management Services LLC	United Arab Emirates	Property development and management	100
Nakheel Leisure Properties LLC	United Arab Emirates	Property development and management	100
Dragon Mart Complex LLC	United Arab Emirates	Shopping mall and facilities management	100
Nakheel Hypermarkets LLC	United Arab Emirates	Shopping mall and facilities management	100

Nakheel PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2009 (Unaudited)

7 SUBSIDIARIES, SPECIAL PURPOSE ENTITIES AND JOINT VENTURES (continued)

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Beneficial ownership interest (%)</i>
<i>Subsidiaries: (continued)</i>			
Nakheel Shopping Malls LLC	United Arab Emirates	Shopping mall and facilities management	100
Dubai Design Center LLC	United Arab Emirates	Shopping mall and facilities management	100
Nakheel Retail LLC	United Arab Emirates	Shopping mall and facilities management	100
Ibn Battuta Mall LLC	United Arab Emirates	Shopping mall and facilities management	100
Jebel Ali Properties Co LLC	United Arab Emirates	Property leasing and management	100
Deira Island LLC	United Arab Emirates	Property leasing and management	100
Canal District LLC	United Arab Emirates	Property leasing and management	100
Omran LLC	United Arab Emirates	Property and facilities management	100
Nakheel Asset Management Investment LLC	United Arab Emirates	Property and facilities management	100
Badrah LLC	United Arab Emirates	Property leasing and management	100
Al Warsan LLC	United Arab Emirates	Property leasing and management	100
Jebel Ali Properties FZE	United Arab Emirates	Property management	100
Communitycorp LLC	United Arab Emirates	Facilities management	100
Waterfront City LLC	United Arab Emirates	Facilities management	100
Propertycorp LLC	United Arab Emirates	Leasing agents	100
The Palm Trump International Hotel & Tower LLC	United Arab Emirates	Hotel & property development	100
Nakheel Marinas LLC	United Arab Emirates	Development and leasing of berths	100
Palm Monorail LLC	United Arab Emirates	Own and operate monorail at the Palm Jumeirah	100
<i>Special purpose entities:</i>			
Nakheel Developments 2 Limited	United Arab Emirates	Special purpose entity formed for the issuance of Sukuk 2 bond	100
Nakheel Developments 3 Limited	United Arab Emirates	Special purpose entity formed for the issuance of Sukuk 3 bond	100
<i>Joint venture:</i>			
Cavern Hotel & Resort FZCO	United Arab Emirates	Hotel and facilities management	50

8 COMPARATIVE INFORMATION

Administration charges collected from re-sale of property by customers, interest charges collected for late payment by customers, commission income from sale of properties have been reclassified from 'Other Income' to 'Revenue'. Comparative amounts totaling AED 604,268 thousand have been reclassified accordingly.

Further, an amount of AED 29,544 thousand relating to the interest income on loans to a related party and AED 12,264 thousand relating to interest on notes receivables previously included under 'Other Income' have been reclassified to 'Finance Income'.

These changes have been made to improve the quality of information presented.