DEYAAR DEVELOPMENT PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
For the nine months ended 30 September 2012

pwc

Report on review of interim condensed consolidated financial information

To the shareholders of Deyaar Development PJSC

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 September 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

PricewaterhouseCoopers
24 October 2012

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

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Deyaar Development PJSC

INTERIM CONSOLIDATED BALANCE SHEET

	Note	30 September 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		37,024	41,661
Investment property	6	1,222,983	1,219,718
Trade and other receivables		10,062	36,899
Investments in associates		278,033	277,205
Available-for-sale financial assets		19,507	19,507
Due from related parties	8	-	2,394,056
		1,567,609	3,989,046
Current assets			
Properties held for development and sale	7	2,003,193	2,146,707
Inventories		4,896	4,875
Due from related parties	8	2,516,120	18,898
Trade and other receivables	9	287,684	295,073
Cash and bank balances		293,319	339,568
		5,105,212	2,805,121
Total assets		6,672,821	6,794,167
EQUITY			
Equity attributable to owners of the parent			
Share capital		5,778,000	5,778,000
Statutory reserve		172,256	172,256
Exchange translation reserve		(27,511)	(32,282)
Available for sale fair valuation reserve		172	172
Accumulated losses		(2,024,518)	(2,057,670)
Total equity		3,898,399	3,860,476
LIABILITIES			
Non-current liabilities			
Borrowings	10	2,190	118,000
Trade and other payables		-	294,368
Retentions payable		24,705	49,975
Advances from customers		198,881	197,967
Provision for employees' end of service benefits		8,728	7,594
		234,504	667,904
Current liabilities			
Borrowings	10	897,423	797,548
Trade and other payables		916,831	488,550
Retentions payable		101,430	69,541
Advances from customers		608,611	895,735
Due to related parties	8	15,623	14,413
		2,539,918	2,265,787
Total liabilities		2,774,422	2,933,691
Total equity and liabilities		6,672,821	6,794,167

This interim condensed consolidated financial information was approved by the Board of Directors on 24 October 2012 and signed on its behalf by:

....	....
Saeed Al Qatami	Yawar Pasha
Chief Executive Officer	Chief Financial Officer

The notes on pages 7 to 16 are an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF INCOME
For the nine months ended 30 September 2012

		Nine months ended 30 September		Three months ended 30 September	
	Note	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
		(Unaudited)		(Unaudited)	
Revenue	11	430,832	664,513	137,441	184,362
Direct costs	12	(276,798)	(620,439)	(92,119)	(180,567)
Gross profit		**154,034**	**44,074**	**45,322**	**3,795**
Other operating income		4,452	2,595	952	2,266
Expenses					
General and administrative		(84,122)	(62,919)	(26,299)	(36,616)
Marketing and selling		(1,031)	(2,408)	(544)	(1,673)
Loss on fair valuation of investment property	6	-	(42,927)	-	(7,109)
Operating income/(loss)		**73,333**	**(61,585)**	**19,431**	**(39,337)**
Finance cost		(47,999)	(35,594)	(16,662)	(12,501)
Finance income		7,769	143,950	2,097	53,181
Finance (cost)/income		**(40,230)**	**108,356**	**(14,565)**	**40,680**
Share of results from associates		828	(726)	525	(446)
Profit before income tax		**33,931**	**46,045**	**5,391**	**897**
Income tax expense		(779)	(966)	(259)	(238)
Profit for the period		**33,152**	**45,079**	**5,132**	**659**
Earnings per share attributable to the equity holders of the Company during the period – Basic and diluted		**Fils 0.57**	**Fils 0.78**	**Fils 0.09**	**Fils 0.01**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2012

	Nine months ended 30 September		Three months ended 30 September	
	2012	**2011**	**2012**	**2011**
	AED'000	**AED'000**	**AED'000**	**AED'000**
	(Unaudited)		(Unaudited)	
Profit for the period	33,152	45,079	5,132	659
Other comprehensive income				
Currency translation differences	4,771	(18,781)	1,530	(13,802)
Total comprehensive profit/(loss) for the period	**37,923**	**26,298**	**6,662**	**(13,143)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital AED'000	Statutory reserve AED'000	Exchange translation reserve AED'000	Available-for-sale fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
At 1 January 2011	5,778,000	155,278	(11,127)	-	(1,513,468)	4,408,683
Comprehensive income						
Profit for the period	-	-	-	-	45,079	45,079
Other comprehensive income						
Translation reserve	-	-	(18,781)	-	-	(18,781)
Balance at 30 September 2011 (unaudited)	**5,778,000**	**155,278**	**(29,908)**	**-**	**(1,468,389)**	**4,434,981**
At 1 January 2012	5,778,000	172,256	(32,282)	172	(2,057,670)	3,860,476
Comprehensive income						
Profit for the period	-	-	-	-	33,152	33,152
Other comprehensive income						
Translation reserve	-	-	4,771	-	-	4,771
Balance at 30 September 2012 (unaudited)	**5,778,000**	**172,256**	**(27,511)**	**172**	**(2,024,518)**	**3,898,399**

The notes on pages 7 to 16 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2012

	Note	Nine months ended 30 September 2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)
Cash flows from operating activities			
Net cash generated by operating activities	13	**8,522**	**9,495**
Cash flows from investing activities			
Payments to acquire property and equipment		(483)	(636)
Proceeds from sale of property and equipment		371	726
Reduction of investment in associates		-	10,363
Additions to investment property - net		(3,265)	(3,464)
Term deposits maturing after three months		479	204,644
Income from deposits		7,769	20,052
Net cash generated from investing activities		**4,871**	**231,685**
Cash flows from financing activities			
Net movement in borrowings		2,374	(101,478)
Finance costs paid		(47,999)	(39,815)
Net cash used in financing activities		**(45,625)**	**(141,293)**
Decrease/(increase) in cash and cash equivalents		**(32,232)**	**99,887**
Cash and cash equivalents, beginning of the period		171,369	62,447
Exchange (loss)/gain on cash and cash equivalents		4,770	(11,189)
Cash and cash equivalents, end of the period		**143,907**	**151,145**

For the purpose of statement of cash flows, cash and cash equivalents comprise:

Cash in hand	420	583
Current accounts	114,978	118,985
Fixed deposits	177,921	205,898
Cash and bank balances	**293,319**	**325,466**
Less: Deposits maturing after 3 months	(20,282)	(52,186)
Less: Islamic financing	(129,131)	(122,135)
Cash and cash equivalents	**143,907**	**151,145**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

1 LEGAL STATUS AND ACTIVITIES

Deyaar Development PJSC (the "Company") was incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, UAE on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, United Arab Emirates.

The principal activities of the Company and its subsidiaries (together, "the Group") are property investment and development, mechanical, electrical and plumbing, brokering, facility and property management services.

This interim condensed consolidated financial information has been reviewed, not audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the nine months ended 30 September 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except as discussed below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

IFRS 7, Financial instruments: Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 July 2011. It promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment does not have any significant impact on the financial position or performance of the Group.

IAS 12, Income taxes (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2012. It introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The adoption of this amendment does not have any significant impact on the financial position or performance of the Group.

3 ESTIMATES AND ASSUMPTIONS

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial information, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011.

There has been no change in the risk management policies since the year end.

4.2 Liquidity risk factors

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (continued)

5 SEGMENTAL INFORMATION

Operating segment:

For management purposes the Group is organised into three major operating segments: Property development, electrical and mechanical works, and properties and facilities management.

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

	Property development activities AED'000	Electrical and mechanical works AED'000	Property and facilities management AED'000	Total AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Nine months ended 30 September 2012				
Segment revenues – external	370,531	19,518	40,783	430,832
Segment profit/(losses)	24,934	(7,857)	16,075	33,152
As at 30 September 2012				
Segment assets	6,557,777	43,736	71,308	6,672,821
Nine months ended 30 September 2011				
Segment revenues – external	579,852	53,001	31,660	664,513
Segment profit/(losses)	58,979	(26,835)	12,935	45,079
As at 30 September 2011				
Segment assets	7,474,519	69,633	76,672	7,620,824

Geographic information

Revenue earned from properties outside the United Arab Emirates amounts to AED Nil (Period ended 30 September 2011: AED 19,198,000). Total assets located outside the United Arab Emirates amount to AED 315,373,000 (31 December 2011: AED 315,490,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (continued)

6 INVESTMENT PROPERTY

	Land AED'000	Buildings AED'000	Capital work-in-progress AED'000	Total AED'000
Nine months ended 30 September 2011				
1 January 2011	282,074	90,498	952,114	1,324,686
Additions	-	2,665	40,901	43,566
Reversal of accruals	-	(608)	-	(608)
Capitalised borrowing costs	-	-	23,755	23,755
Loss on fair valuation of investment property	-	(8,459)	(34,468)	(42,927)
Transfer to a real estate investment trust	-	(26,100)	-	(26,100)
Effect of translation to presentation currency	(4,316)	-	-	(4,316)
30 September 2011 – unaudited	277,758	58,010	982,288	1,318,056
Nine months ended 30 September 2012				
1 January 2012	265,232	55,877	898,609	1,219,718
Additions	-	769	1,596	2,365
Effect of translation to presentation currency	900	-	-	900
30 September 2012 – unaudited	266,132	56,646	900,205	1,222,983

7 PROPERTIES HELD FOR DEVELOPMENT AND SALE

	Land held for development and sale AED'000	Property held for sale AED'000	Property under construction AED'000	Total AED'000
1 January 2011	240,000	252,342	2,169,888	2,662,230
Additions	-	-	102,271	102,271
Provision for impairment	-	(114,936)	(11,814)	(126,750)
Reversal of impairment	-	9,337	27,844	37,181
Borrowing costs capitalised	-	-	4,139	4,139
Transfers	-	1,100,504	(1,100,504)	-
Sales	-	(465,638)	-	(465,638)
30 September 2011 – unaudited	240,000	781,609	1,191,824	2,213,433
1 January 2012	240,000	669,299	1,237,408	2,146,707
Additions	-	-	106,760	106,760
Provision for impairment	-	(137,721)	-	(137,721)
Reversal of impairment	-	34,572	26,171	60,743
Borrowing costs capitalised	-	-	1,475	1,475
Transfers	-	474,693	(474,693)	-
Sales	-	(174,772)	-	(174,772)
30 September 2012 – unaudited	240,000	866,072	897,121	2,003,193

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (continued)

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the significant shareholders, key management personnel, associates, joint ventures, directors and businesses which are controlled directly or indirectly by the significant shareholders or directors or over which they exercise significant management influence.

(a) Related party transactions

During the period, the Group entered into the following significant transactions with related parties:

	Nine months ended 30 September 2012 AED'000	Nine months ended 30 September 2011 AED'000
	(Unaudited)	(Unaudited)
Other operating income/finance income		
A significant shareholder	698	2,143
Compensation to key management personnel		
Salaries and other short term employee benefits	16,999	16,294
Termination and post employment benefits	769	487
Director's fees	653	652
	18,421	17,433

(b) Due from related parties comprises:

	30 September 2012 AED'000	31 December 2011 AED'000
	(Unaudited)	(Audited)
Non-current		
Due from other related parties	-	2,394,056
Current		
Due from joint ventures	18,856	17,782
Due from other related parties	2,497,264	1,116
	2,516,120	18,898

Cash and cash equivalents include current accounts and fixed deposits of AED 122,500,000 (31 December 2011: AED 80,917,000) deposited with a significant shareholder.

At 30 September 2012, the Group had bank borrowings from a significant shareholder of AED 383,286,000 (31 December 2011: AED 390,000,000).

In 2010, the Group entered into a sale and purchase agreement with a related party to sell properties with a carrying value of AED 1,337,846,000 and rights to purchase plots amounting to AED 899,589,000. The salient terms of and conditions of the transaction are as follows:

i. The sale consideration is receivable on or before 1 June 2016;
ii. The sale consideration can be settled in cash or kind or a combination of both, at the discretion of the purchaser. Where settlement is in kind, the fair value of the assets transferred will be determined by an independent valuation expert, to be selected by the seller and purchaser; and
iii. The commitment on the remaining purchase price of the land held for development remains with the Group.

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Due from related parties comprises (continued)

At 31 December 2011, the non-current amount due from other related party represented the net present value of the above consideration discounted at a rate of 7% per annum.

During 2012, the Company has signed an amendment to the original sale and purchase agreement whereby, with effect from 20 April 2012, the sale consideration has been reduced by AED 731 million, as a result of purchaser's commitment to settle this balance on demand and, in any event, not later than 30 June 2013.

The impact of unwinding the fair value discount on the non-current receivable offsets the reduction in the sale consideration.

(c) Due to related parties comprises:

	30 September 2012 AED'000	**31 December 2011 AED'000**
	(Unaudited)	(Audited)
Current		
Due to a significant shareholder	2,230	2,148
Due to joint ventures	13,393	12,265
	15,623	14,413

9 TRADE AND OTHER RECEIVABLES

Trade and other receivables include an amount of AED 117,900,000 receivable from a supplier following the cancellation of a land purchase agreement. At 30 September 2012, this receivable was past due but not impaired. As per the cancellation agreement, the Company continues to hold title over the plot of land, as collateral security until full and final settlement of the receivable. Management's assessment is that the current market value of the land is not less than the amount of the receivable.

10 BORROWINGS

	30 September 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Non-current		
Islamic finance obligations	-	118,000
Other Islamic borrowings	2,190	-
	2,190	118,000
Current		
Islamic finance obligations	766,597	646,167
Other Islamic borrowings	130,826	151,381
	897,423	797,548
Total borrowings	899,613	915,548

	Islamic finance obligations AED'000	Other Islamic borrowings AED'000	Total AED'000
1 January 2011	878,475	153,485	1,031,960
Additions	-	6,468	6,468
Repayments	(94,475)	(14,370)	(108,845)
30 September 2011 – Unaudited	784,000	145,583	929,583
1 January 2012	764,167	151,381	915,548
Additions	19,978	8,462	28,440
Repayments	(22,833)	(21,542)	(44,375)
30 September 2012 – Unaudited	761,312	138,301	899,613

The Islamic finance obligations represent Ijarah and Mudarabah facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks and financial institutions. The facilities are used to finance the properties under construction and investment property. The Islamic finance obligations carried an effective profit rate of 4.5% to 9.5% per annum (31 December 2011: 4.5% to 9.5% per annum).

The Islamic finance obligations include an amount of AED 383,286,000 (31 December 2011: AED 390,000,000) obtained from the significant shareholder.

Other Islamic borrowings include an overdraft facility amounting to AED 129,096,000 (31 December 2011: AED 147,439,000) with a local Islamic bank and carries an effective profit rate based on EIBOR.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (continued)

11 REVENUE

	Nine months ended 30 September		Three months ended 30 September	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
	(Unaudited)		(Unaudited)	
Sale of properties	188,570	527,267	28,321	129,376
Forfeiture income	169,397	120,876	86,943	39,179
Contract revenue	16,628	51,705	2,783	5,008
Property management	22,443	20,559	7,224	6,118
Facilities management	18,481	11,101	5,102	3,948
Leasing	14,857	6,541	6,908	603
Others	456	1,296	160	308
Properties returned	-	(74,832)	-	(178)
	430,832	664,513	137,441	184,362

12 DIRECT COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
	(Unaudited)		(Unaudited)	
Cost of properties sold	174,772	505,944	13,823	121,688
Contract costs	11,131	53,552	2,222	7,181
Provision for impairment, net	76,977	89,569	70,296	49,727
Facilities management	9,746	4,727	4,154	1,419
Leasing	2,968	5,064	1,225	213
Others	1,204	1,889	399	474
Properties returned	-	(40,306)	-	(135)
	276,798	620,439	92,119	180,567

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (continued)

13 CASH FLOWS FROM OPERATING ACTIVITIES

	Nine months ended 30 September	
	2012	**2011**
	AED'000	**AED'000**
	(Unaudited)	(Unaudited)
Profit before tax	33,931	46,045
Adjustment for		
Depreciation	4,948	6,912
Provision for employees' end of service benefits	1,997	1,724
Provision for/ (reversal of provision) for doubtful debts	7,702	(8,810)
Impairment and write-offs, net	76,977	89,569
Finance income	(7,769)	(143,950)
Finance costs	47,999	35,594
Share of results from associates	(828)	726
Loss on fair valuation of investment properties	-	42,927
(Gain)/loss on disposal of property and equipment	(199)	1,062
Payment of employees' end of service benefits	(863)	(2,175)
Payment of taxes	(779)	-
Increase in non-current trade and other receivables	26,837	128,370
Decrease in non-current due from related parties	2,394,056	-
Decrease in non-current trade payables	(294,368)	-
(Decrease)/increase in non-current retentions payable	(25,270)	7,770
Increase/(decrease) in non-current advances from customers	914	(1,272)
Changes in working capital:		
Property held for development and sale net of project cost accruals	66,537	353,558
Trade and other receivables	(313)	(73,995)
Inventories	(21)	(2,952)
Due from related parties	(2,497,222)	(21,655)
Retentions payable	31,889	(24,092)
Advances from customers	(287,124)	(461,110)
Trade and other payables	428,281	39,372
Due to related parties	1,210	(4,123)
Net cash generated by operating activities	**8,522**	**9,495**

14 COMMITMENTS

At 30 September 2012, the Group had total commitments of AED 422,928,000 (31 December 2011: AED 485,549,000) with respect to project related contracts issued as of the end of the period/year net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 419,639,000 (31 December 2011: AED 419,639,000).

15 CONTINGENT LIABILITIES

At 30 September 2012, the Group had contingent liabilities in respect of performance and other guarantees issued by banks on behalf of one of the subsidiaries in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 27,227,000 (31 December 2011: AED 63,133,000).