DEYAAR DEVELOPMENT PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2014

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
For the three months ended 31 March 2014

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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 at 31 March 2014 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months 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

30 April 2014

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Deyaar Development PJSC

INTERIM CONSOLIDATED BALANCE SHEET

	Note	31 March 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		26,914	27,106
Investment property	6	265,521	265,521
Trade and other receivables		26,856	44,340
Investments in joint ventures and associates		974,114	959,562
Available-for-sale financial assets		26,130	25,381
		1,319,535	1,321,910
Current assets			
Property held for development and sale	7	1,474,216	1,670,962
Inventories		1,502	1,592
Due from related parties	8	2,646,177	2,633,673
Trade and other receivables		130,751	145,719
Cash and bank balances		839,032	547,825
		5,091,678	4,999,771
Total assets		6,411,213	6,321,681
EQUITY			
Share capital		5,778,000	5,778,000
Statutory reserve		194,081	194,081
Exchange translation reserve		-	(4,863)
Available for sale fair valuation reserve		6,795	6,046
Accumulated losses		(1,834,261)	(1,886,373)
Total equity		4,144,615	4,086,891
LIABILITIES			
Non-current liabilities			
Borrowings	9	488,441	505,161
Retentions payable		7,527	6,470
Advances from customers		114,405	114,405
Provision for employees' end of service benefits		8,930	7,769
		619,303	633,805
Current liabilities			
Borrowings	9	321,488	321,228
Trade and other payables		782,912	772,947
Provision for claims	10	34,400	-
Retentions payable		26,631	51,619
Advances from customers		467,920	439,534
Due to related parties	8	13,944	15,657
		1,647,295	1,600,985
Total liabilities		2,266,598	2,234,790
Total equity and liabilities		6,411,213	6,321,681

This interim condensed consolidated financial information was approved by the Board of Directors on 30 April 2014 and signed on its behalf by:

Saeed Al Qatami
Chief Executive Officer

Hawary H. Marshad
Chief Financial Officer

The notes on pages 7 to 15 are an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Three months ended 31 March 2014 AED'000 (Unaudited)	2013 AED'000 (Unaudited)
Revenue	11	317,340	203,848
Direct costs	12	(208,456)	(155,067)
Gross profit		**108,884**	**48,781**
Other operating income		6,293	1,566
Expenses			
General and administrative		(34,364)	(25,573)
Provision for claims		(34,400)	-
Operating profit		**46,413**	**24,774**
Finance cost		(11,456)	(7,326)
Finance income		1,386	496
Finance cost, net		**(10,070)**	**(6,830)**
Gain on disposal of a joint venture before reclassification adjustment		5,880	-
Reclassification of cumulative exchange translation losses from other comprehensive income on disposal of a joint venture		(4,863)	-
Net gain on disposal of a joint venture		**1,017**	**-**
Share of results from joint ventures and associates		14,752	1,466
Profit for the period		**52,112**	**19,410**
Earnings per share attributable to the equity holders of the Company during the period – basic and diluted		**Fils 0.90**	**Fils 0.34**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 31 March	
	2014	**2013**
	AED'000	**AED'000**
	(Unaudited)	
Profit for the period	52,112	19,410
Other comprehensive income from items that may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial assets	749	-
Add: Reclassification adjustments for losses included in profit or loss	4,863	-
Other comprehensive income for the period	5,612	-
Total comprehensive income for the period	**57,724**	**19,410**

The notes on pages 7 to 15 are an integral part of this interim condensed consolidated financial information.

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 2013	5,778,000	178,267	(27,512)	1,182	(2,025,076)	3,904,861
Profit and total comprehensive income for the period	-	-	-	-	19,410	19,410
Balance at 31 March 2013 (unaudited)	**5,778,000**	**172,267**	**(25,512)**	**1,182**	**(2,005,666)**	**3,924,271**
At 1 January 2014	5,778,000	194,081	(4,863)	6,046	(1,886,373)	4,086,891
Profit for the period	-	-	-	-	52,112	52,112
Other comprehensive income for the period	-	-	4,863	749	-	5,612
Total comprehensive income for the period	-	-	4,863	749	52,112	57,724
Balance at 31 March 2014 (unaudited)	**5,778,000**	**194,081**	**-**	**6,795**	**(1,834,261)**	**4,144,615**

The notes on pages 7 to 14 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Three months ended 31 March 2014 AED'000 (Unaudited)	2013 AED'000 As restated (Unaudited)
Cash flows from operating activities			
Net cash generated from operating activities	13	**308,115**	**10,811**
Cash flows from investing activities			
Payments to acquire property and equipment		(383)	(275)
Proceeds from sale of property and equipment		-	3
Repurchase/investments in associates and joint ventures		200	80
Proceeds from disposal of investment in joint ventures		5,880	-
Additions to investment property - net		-	(2,091)
Term deposits maturing after three months		-	20,000
Income from deposits		1,235	496
Net cash generated from investing activities		**6,932**	**18,213**
Cash flows from financing activities			
Repayment of borrowings		(16,460)	(688)
Finance costs paid		(7,380)	-
Net cash used in financing activities		**(23,840)**	**(688)**
Net increase in cash and cash equivalents		**291,207**	**28,336**
Cash and cash equivalents, beginning of the period		527,825	50,842
Exchange loss on cash and cash equivalents		-	-
Cash and cash equivalents, end of the period		**819,032**	**79,178**

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

		2014	2013
Cash on hand		1,016	821
Current accounts		261,878	68,929
Fixed deposits		576,138	142,225
Cash and bank balances		**839,032**	**211,975**
Less: Islamic financing		(20,000)	(132,797)
Cash and cash equivalents		**819,032**	**79,178**

The notes on pages 7 to 14 are an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014

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, 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 three months ended 31 March 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards.

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

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 2013.

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 2013, with the exception of changes in estimates that are required in determining the provision for income taxes, if any.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities potentially 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 2013.

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

4 FINANCIAL RISK MANAGEMENT (continued)

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.

5 SEGMENTAL INFORMATION

Operating segment:

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the Group as a whole for the purpose of decision making.

Management has determined the operating segments based on for the purpose of allocating resources and assessing performance. 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.

	Property development activities AED'000	Electrical and mechanical works AED'000	Property and facilities management AED'000	Total AED'000
Three months ended 31 March 2014				
Segment revenues – external	299,941	-	17,399	317,340
Segment profit	45,926	-	6,186	52,112
As at 31 March 2014				
Segment assets	6,302,610	-	108,603	6,411,213
Three months ended 31 March 2013				
Segment revenues – external	187,470	2,213	14,165	203,848
Segment profit	12,680	-	6,730	19,410
As at 31 March 2013				
Segment assets	6,254,053	33,158	64,753	6,351,964

Geographic information

No revenues from properties outside the United Arab Emirates were earned during the three months ended 31 March 2014 and during the three months ended 31 March 2013. Total assets located outside the United Arab Emirates amount to AED 108,220,000 (31 December 2013: AED 108,221,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (continued)

6 INVESTMENT PROPERTY

	Land AED'000	Buildings AED'000	Total AED'000
Three months ended 31 March 2013			
1 January 2013	159,218	56,698	215,916
Additions	-	2,091	2,091
31 March 2013 – unaudited	159,218	58,789	218,007
Three months ended 31 March 2014			
1 January 2014	196,961	68,560	265,521
31 March 2014 – unaudited	196,961	68,560	265,521

7 PROPERTY 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 2013	240,000	796,212	934,066	1,970,278
Additions	-	-	26,839	26,839
Provision for impairment	-	(61,418)	(32,144)	(93,562)
Reversal of impairment	-	26,125	-	26,125
Borrowing costs capitalised	-	-	148	148
Transfers	-	176,584	(176,584)	-
Sales	-	(83,121)	-	(83,121)
31 March 2013 – unaudited	240,000	854,382	752,325	1,846,707
1 January 2014	244,396	1,165,409	261,157	1,670,962
Additions	-	-	7,195	7,195
Reversal of impairment	-	74,087	-	74,087
Transfers	(400)	-	400	-
Sales	-	(278,028)	-	(278,028)
31 March 2014 – unaudited	243,996	961,467	268,753	1,474,216

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (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 or jointly controlled, directly or indirectly, by the significant shareholders or directors.

(a) Related party transactions

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

	Three months ended 31 March 2014 AED'000	Three months ended 31 March 2013 AED'000
	(Unaudited)	(Unaudited)
Other operating income/finance income		
A significant shareholder	277	134
A joint venture	4,756	-

(b) Remuneration of key management personnel

	Three months ended 31 March 2014 AED'000	Three months ended 31 March 2013 AED'000
	(Unaudited)	(Unaudited)
Compensation to key management personnel		
Salaries and other short term employee benefits	5,864	5,955
Termination and post employment benefits	543	172
Directors' fees	218	218
	6,625	6,345

(c) Due from related parties comprises:

	31 March 2014 AED'000	31 December 2013 AED'000
	(Unaudited)	(Audited)
Due from joint ventures	148,830	136,326
Due from other related parties	2,497,347	2,497,347
	2,646,177	2,633,673

Cash and cash equivalents include fixed deposits of AED 265,000,000 (31 December 2013: AED 135,000,000) deposited with a significant shareholder.

At 31 March 2014, the Group had bank borrowings from a significant shareholder of AED 329,194,000 (31 December 2013: AED 337,806,000).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (continued)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Due from related parties comprises: (continued)

The salient terms of and conditions of the transaction were 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.

Following the amendments to the original agreement, the sale consideration was reduced by AED 730 million, as a result of the purchaser's commitment to settle this balance on demand, in cash or in kind, or a combination of both.

The Group is in discussion with the related party to purchase certain plots at an estimated price of AED 361 million, as a partial settlement of the outstanding receivable. Management's expectation is that the balance receivable will be settled during the year 2014.

(d) Due to related parties comprises:

	31 March 2014 AED'000	**31 December 2013 AED'000**
	(Unaudited)	(Audited)
Current		
Due to a significant shareholder	1,645	1,605
Due to joint ventures	12,299	14,052
	13,944	15,657

9 BORROWINGS

	31 March 2014 AED'000	**31 December 2013 AED'000**
	(Unaudited)	(Audited)
Non-current		
Islamic finance obligations	387,767	399,587
Other Islamic borrowings	100,674	105,574
	488,441	505,161
Current		
Islamic finance obligations	302,283	302,283
Other Islamic borrowings	19,205	18,945
	321,488	321,228
Total borrowings	809,929	826,389

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (continued)

9 BORROWINGS (continued)

	Islamic finance obligations AED'000	Other Islamic borrowings AED'000	Total AED'000
1 January 2013	749,154	138,296	887,450
Repayments	-	(706)	(706)
31 March 2013 – Unaudited	749,154	137,590	886,744
1 January 2014	701,870	124,519	826,389
Repayments	(11,820)	(4,640)	(16,460)
31 March 2014 – Unaudited	690,050	119,879	809,929

The Islamic finance obligations represent Ijarah, Murabaha 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. The Islamic finance obligations carry an effective profit rate of 1 month EIBOR + 3%, with a minimum of 5%, to 6.25% per annum (2013: 1 month EIBOR + 3%, with a minimum of 5% to 6.25% per annum), and are repayable in equal monthly or quarterly instalments over a period of five to ten years from the balance sheet date. The Islamic finance obligations are secured by mortgages over properties classified under property held for development and sale (Note 7), property and equipment and investment property (Note 6).

The Islamic finance obligations also include term loan facility amounting to AED 119,879,000 (2013: AED 124,519,000) with a local Islamic bank and carries an effective profit rate based on 3 months EIBOR + 4.5%, with a minimum of 9.5% (2012: 3 months EIBOR + 4.5%, with a minimum of 9.5%). During 2013, the Group signed a restructuring agreement with the bank (subject to certain conditions), whereby this loan was restructured into a loan repayable over a six-year period, with a revised profit rate of 3 months EIBOR + 3%, with a minimum of 5.5%.

The borrowings include an amount of AED 329,194,000 (2013: AED 337,806,000) obtained from the significant shareholder.

10 PROVISION FOR CLAIMS

The provision relates to legal claims made by a third party against the Company related to a facility to finance the purchase of a share in a real estate project. The provision is reflective of the initial assessment which has been determined on the basis of management's best estimate of the net liability that the Company may incur on these claims, subsequent to the judgement of the court of first instance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (continued)

11 REVENUE

	Three months ended 31 March	
	2014	**2013**
	AED'000	**AED'000**
	(Unaudited)	
Sale of properties	290,243	82,997
Property management	9,665	8,027
Facilities management	7,733	6,572
Leasing	7,682	6,824
Forfeiture income	2,017	97,215
Contract revenue	-	2,213
	317,340	203,848

12 DIRECT COSTS

	Three months ended 31 March	
	2014	**2013**
	AED'000	**AED'000**
	(Unaudited)	
Cost of properties sold	278,028	83,121
Facilities management	4,118	2,013
Leasing	332	1,267
Contract costs	-	1,205
Others	65	24
Provision/(Reversal) for impairment, net	(74,087)	67,437
	208,456	155,067

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (continued)

13 CASH FLOWS FROM OPERATING ACTIVITIES

	Three months ended 31 March	
	2014	**2013**
	AED'000	**AED'000**
	(Unaudited)	(Unaudited)
Profit before income tax	52,112	19,410
Adjustment for		
Depreciation	575	1,171
Provision for employees' end of service benefits	1,297	352
Provision for doubtful debts	-	179
Provision for impairment	(74,087)	67,437
Provision against claims	34,400	-
Finance income	(1,386)	(496)
Finance costs	11,456	7,326
Share of results from associates and joint ventures	(14,752)	(1,466)
Gain on disposal of investment in joint ventures	(1,017)	(3)
Payment of employees' end of service benefits	(136)	(204)
Increase in non-current trade and other receivables	17,484	(1,798)
Increase in non-current retentions payable	1,057	(8,843)
Changes in working capital:		
Property held for development and sale net of project cost accruals	270,833	56,134
Trade and other receivables	4,266	5,751
Inventories	90	(430)
Due from related parties	(1,651)	3,275
Retentions payable	(24,988)	1,691
Advances from customers	28,386	(127,041)
Trade and other payables	5,889	(11,287)
Due to related parties	(1,713)	(347)
Net cash generated from operating activities	**308,115**	**10,811**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (continued)

14 COMMITMENTS

At 31 March 2014, the Group had total commitments of AED 28,154,000 (31 December 2013: AED 13,417,000) 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 2013: AED 419,639,000).

15 CONTINGENT LIABILITIES

At 31 March 2014, the Group had contingent liabilities in respect of performance and other guarantees issued by a bank 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 94,319,000 (31 December 2013: AED 84,539,000).