DEYAAR DEVELOPMENT PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Unaudited)
For the nine months ended 30 September 2014

KPMG

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Shareholders
Deyaar Development PJSC

Introduction

We have reviewed the accompanying 30 September 2014 condensed consolidated interim financial information of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2014;
- the condensed consolidated statement of profit or loss for the three month and nine month periods ended 30 September 2014;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2014;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2014;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2014; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 30 September 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matters

The condensed consolidated interim financial information for the nine month period ended 30 September 2013 and the consolidated financial statements for the year ended 31 December 2013 were reviewed and audited respectively by another auditor who expressed an unmodified review conclusion on the condensed consolidated interim financial information for the nine month period ended 30 September 2013 on 28 October 2013 and an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2013 on 4 February 2014.

KPMG

KPMG Lower Gulf Limited
Austin Alan Henry Rudman
Registration No: 844
Dubai, United Arab Emirates

22 OCT 2014

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

	Note	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**40,295**	27,106
Investment properties	6	**160,600**	265,521
Trade and other receivables		**43,234**	44,340
Investments in joint ventures and associates		**972,347**	959,562
Available-for-sale financial assets		**27,306**	25,381
		1,243,782	1,321,910
Current assets			
Properties held for development and sale	7	**951,822**	1,670,962
Inventories		**1,607**	1,592
Due from related parties	8	**2,648,412**	2,633,673
Trade and other receivables		**218,629**	145,719
Cash and bank balances		**1,067,253**	547,825
		4,887,723	4,999,771
Total assets		**6,131,505**	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		**7,971**	6,046
Accumulated losses		**(1,693,338)**	(1,886,373)
Total equity		**4,286,714**	4,086,891
LIABILITIES			
Non-current liabilities			
Borrowings	9	**499,796**	505,161
Retentions payable		**562**	6,470
Advances from customers		**77,715**	114,405
Provision for employees' end of service benefits		**9,007**	7,769
		587,080	633,805
Current liabilities			
Borrowings	9	**167,020**	321,228
Trade and other payables		**738,438**	772,947
Provision for claims	10	**36,540**	-
Retentions payable		**31,240**	51,619
Advances from customers		**270,417**	439,534
Due to related parties	8	**14,056**	15,657
		1,257,711	1,600,985
Total liabilities		**1,844,791**	2,234,790
Total equity and liabilities		**6,131,505**	6,321,681

The condensed consolidated interim financial information was authorised for issue on 22/10/2014

....
Saeed Al Qatami
Chief Executive Officer

....
Hawary H. Marshad
Chief Financial Officer

The notes on pages 7 to 20 are an integral part of the condensed consolidated interim financial information.
The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine months ended 30 September 2014

	Note	Nine months ended 30 September 2014 AED'000 (Unaudited)	Nine months ended 30 September 2013 AED'000 (Unaudited)	Three months ended 30 September 2014 AED'000 (Unaudited)	Three months ended 30 September 2013 AED'000 (Unaudited)
Revenue	13	**960,884**	401,252	**155,293**	103,793
Direct costs	14	**(707,986)**	(206,403)	**(112,690)**	(49,174)
Gross profit		**252,898**	194,849	**42,603**	54,619
Other operating income		**13,592**	3,519	**63**	775
General and administrative expenses		**(121,511)**	(81,051)	**(34,956)**	(28,487)
Provision for claims	10	**(36,540)**	-	**(2,140)**	-
Liability written back	11	**147,922**	-	**147,922**	-
Provision for impairment against land	12	**(68,625)**	-	**(68,625)**	-
Gain on disposal of an investment property	5	**16,982**	-	**-**	-
Gain on disposal of a subsidiary		**-**	27,679	**-**	27,679
Gain from fair value adjustment on investment properties	6	**-**	36,585	**-**	-
Operating profit		**204,718**	181,581	**84,867**	54,586
Finance cost		**(31,262)**	(31,410)	**(8,489)**	(12,049)
Finance income		**5,577**	2,540	**2,247**	1,577
Finance costs – net		**(25,685)**	(28,870)	**(6,242)**	(10,472)
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		**12,985**	(7,865)	**(158)**	(3,632)
Provision for impairment of joint ventures and associates		**-**	(57,698)	**-**	-
Profit for the period		**193,035**	87,148	**78,467**	40,482
Earnings per share – basic and diluted		**Fils 3.34**	Fils 1.51	**Fils 1.36**	Fils 0.70

The notes on pages 7 to 20 are an integral part of the condensed consolidated interim financial information.
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the nine months ended 30 September 2014

	Nine months ended		Three months ended	
	30 September 2014 AED'000	30 September 2013 AED'000	30 September 2014 AED'000	30 September 2013 AED'000
	(Unaudited)		(Unaudited)	
Profit for the period	**193,035**	87,148	**78,467**	40,482
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation loss reclassified to profit or loss on disposal of a joint venture	**4,863**	-	-	-
Change in fair value of available-for-sale financial assets	**1,925**	2,335	**569**	729
Total comprehensive income for the period	**199,823**	89,483	**79,036**	41,211

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2014

	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
Total comprehensive income for the period (unaudited)						
Profit for the period	-	-	-	-	87,148	87,148
Other comprehensive income for the period	-	-	-	2,335	-	2,335
Total comprehensive income for the period	-	-	-	2,335	87,148	89,483
Balance at 30 September 2013 (unaudited)	5,778,000	178,267	(27,512)	3,517	(1,937,928)	3,994,344
At 1 January 2014	5,778,000	194,081	(4,863)	6,046	(1,886,373)	4,086,891
Total comprehensive income for the period (unaudited)						
Profit for the period	-	-	-	-	193,035	193,035
Other comprehensive income for the period	-	-	4,863	1,925	-	6,788
Total comprehensive income for the period	-	-	4,863	1,925	193,035	199,823
Balance at 30 September 2014 (unaudited)	**5,778,000**	**194,081**	**-**	**7,971**	**(1,693,338)**	**4,286,714**

The notes on pages 7 to 20 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2014

	Note	Nine months ended 30 September 2014 AED'000	2013 AED'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Net cash generated from operating activities	15	591,892	152,597
Cash flows from investing activities			
Payments to acquire property and equipment		(4,628)	(7,236)
Proceeds from sale of property and equipment		87	5
Proceeds from investments in associates		200	-
Proceeds from disposal of investment in joint venture		5,880	-
Proceeds from disposal of investment property – net		104,921	(117)
Term deposits maturing after three months		(140,000)	-
Income from deposits		2,605	2,155
Net cash used in investing activities		(30,935)	(5,193)
Cash flows from financing activities			
Net movement in borrowings		(159,573)	82,700
Finance costs paid		(21,956)	(19,008)
Net cash (used in)/generated from financing activities		(181,529)	63,692
Net increase in cash and cash equivalents		379,428	211,096
Cash and cash equivalents, beginning of the period		527,825	50,842
Cash and cash equivalents transferred to subsidiary disposed of		-	4,372
Cash and cash equivalents, end of the period		907,253	266,310

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

Cash on hand		977	1,175
Current accounts		210,316	123,997
Fixed deposits		855,960	161,138
Cash and bank balances		1,067,253	286,310
Less : Deposit maturing after 3 months		(160,000)	(20,000)
Cash and cash equivalents		907,253	266,310

The notes on pages 7 to 20 are an integral part of the condensed consolidated interim financial information.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial information for the nine months ended 30 September 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim 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.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim 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 condensed consolidated interim 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 the condensed consolidated interim 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.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3 ESTIMATES AND ASSUMPTIONS (continued)

Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Also refer to notes 6 and 18.

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 condensed consolidated interim 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.

4.2 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

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 segments identified 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
Nine months ended 30 September 2014 (unaudited)				
Segment revenues – external	**908,998**	-	**51,886**	**960,884**
Segment profit	**172,384**	-	**20,651**	**193,035**
As at 30 September 2014 (unaudited)				
Segment assets	**6,014,519**	-	**116,986**	**6,131,505**
Nine months ended 30 September 2013 (unaudited)				
Segment revenues – external	350,842	4,004	46,406	401,252
Segment profit	69,534	-	17,614	87,148
As at 31 December 2013				
Segment assets	6,231,309	-	90,372	6,321,681

Geographic information

In the current period, the Company disposed a plot of land in USA which was classified under investment property at a carrying value of AED 104,921,000 (refer note 6), resulting in a gain of AED 16,981,786.

The carrying amount of the total assets located outside the United Arab Emirates as at 30 September 2014 is AED 3,298,669 (31 December 2013: AED 108,221,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

6 INVESTMENT PROPERTIES

	UAE Office and retail AED'000	UAE Land AED'000	USA Land AED'000	30 September 2014 Total AED'000	31 December 2013 Total AED'000
Fair value hierarchy	3	2	2		
Fair value at the beginning of reporting period	68,560	92,040	104,921	265,521	215,916
(Disposal)/additions (refer note 5)	-	-	(104,921)	(104,921)	136
Net gain from fair value adjustments on investment properties	-	-	-	-	49,469
Fair value at the end of reporting period	68,560	92,040	-	160,600	265,521

Investment property is recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

At 30 September 2014, the Group did not have any non performing contractual obligations for future repairs and maintenance.

Net gain from fair value adjustments on investment properties for the nine month ended 30 September 2013 was AED 36.5 million.

Bank borrowings are secured on investment properties to the value of AED 158,500,000 (2013: AED 158,500,000)

Valuation processes

Lands included in the Group's investment properties are valued by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. Valuation of UAE office and retail are valued by the Groups' finance department. The Group's finance department includes a team that also reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and the independent valuers at least once every six months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

6 INVESTMENT PROPERTIES (continued)

Valuation processes (continued)

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

Country	Segment	Valuation	Estimate	Range of inputs	Sensitivity of management estimates Impact lower AED'000	Sensitivity of management estimates Impact higher AED'000
UAE	Office and retail	Income capitalisation	Estimated rental value	AED 65 to AED 150 per sqft per annum	(730)	730
			Discount rate	10.5%	10,331	(7,707)

Valuation techniques underlying management's estimation of fair value:

For offices and retail in the UAE, the valuation was determined using the income capitalisation method based on following significant unobservable inputs:

Estimated rental value (per sqft p.a.)	based on the actual location, type and quality of the properties and current market rents for similar properties;
Cash flow discount rate	reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

For plots of land, the valuation was determined using the residual approach. Properties valued using the residual approach take into account Gross Development Value (GDV) of the proposed development assuming it is complete and discounting the GDV at an appropriate discount rate for the period of construction. The construction costs of the proposed development are assumed and deducted from the GDV to arrive at the residual value of the land.

The above mentioned investment properties are carried at a fair value as at 31 December 2013 valued by an independent firm of surveyors and property consultant and group finance department. Managements has reassessed the present market condition of Company's investment properties, and is of the view that the carrying value as at 30 September 2014 approximates their fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

7 PROPERTY HELD FOR DEVELOPMENT AND SALE

	Land held for development and sale AED'000	Properties held for sale AED'000	Properties under construction AED'000	Total AED'000
1 January 2013	240,000	796,212	934,066	1,970,278
Additions	4,396	-	94,513	98,909
Provision for impairment	-	(56,866)	(14,050)	(70,916)
Reversal of impairment.	-	175,150	347	175,497
Borrowing costs capitalised	-	-	398	398
Transfers	-	754,117	(754,117)	-
Sales	-	(503,204)	-	(503,204)
31 December 2013 – audited	244,396	1,165,409	261,157	1,670,962
1 January 2014	244,396	1,165,409	261,157	1,670,962
Additions	-	26,443	30,150	56,593
Reversal of impairment	-	161,943	-	161,943
Provision for impairment (refer note 12)	(68,625)	-	-	(68,625)
Transfer to property and equipment	-	(10,642)	-	(10,642)
Transfers	113,975	161,434	(275,409)	-
Sales	-	(858,409)	-	(858,409)
30 September 2014 – unaudited	**289,746**	**646,178**	**15,898**	**951,822**

Reversal of impairment on properties held for development and sale as a result of sale of these properties or on reassessment by management of the net realisable value of the unsold properties amounted to AED 161,943,363 (2013: net reversal of impairment of AED 104,581,000), which has been recognised in condensed consolidated statement of profit or loss under "direct costs". (Refer note 14).

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:

	Nine months ended 30 September 2014 AED'000 (Unaudited)	Nine months ended 30 September 2013 AED'000 (Unaudited)
Other operating income/finance income		
A significant shareholder	**1,563**	521
A joint venture	**6,571**	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Remuneration of key management personnel

	Nine months ended 30 September 2014 AED'000	Nine months ended 30 September 2013 AED'000
	(Unaudited)	(Unaudited)
Compensation to key management personnel		
Salaries and other short term employee benefits	**19,200**	18,157
Termination and post employment benefits	**1,060**	556
Directors' fees	**1,125**	653
	21,385	19,366

(c) Due from related parties comprises:

	30 September 2014 AED'000	31 December 2013 AED'000
	(Unaudited)	(Audited)
Due from joint ventures	**151,107**	136,326
Due from other related parties	**2,497,305**	2,497,347
	2,648,412	2,633,673

Cash and cash equivalents include fixed deposits of AED 375,000,000 (31 December 2013: AED 135,000,000) deposited with a significant shareholder.

At 30 September 2014, the Group had bank borrowings from a significant shareholder of AED 311,968,000 (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. The sale consideration agreed on by both parties as per the initial agreement was AED 3,647,483,730.

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 approximately AED 730 million, as a result of the purchaser's commitment to settle this balance on demand, on or before 31 December 2014, in cash or in kind, or a combination of both.

In the current period, pursuant to the addendum to original sale and purchase agreement for a plot of land with the master developer, the Group has initiated the process of entering into an amendment agreement with related party, which will result in the further reduction of the sale consideration by AED 141 million. The receivable amount is reflected in the books of the Company after deducting the future committed payments of AED 279 million (refer note 16) relating to rights to purchase plots from the sale consideration as per the sale and purchase agreement.

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 expects that the balance receivable will be settled during 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Due to related parties comprises:

	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Current		
Due to a significant shareholder	**1,757**	1,605
Due to other related parties	**12,299**	14,052
	14,056	15,657

9 BORROWINGS

	30 September 2014 AED'000 (Unaudited)	31 December 2013 AED'000 (Audited)
Non-current		
Islamic finance obligations	**409,125**	399,587
Other Islamic borrowings	**90,671**	105,574
	499,796	505,161
Current		
Islamic finance obligations	**147,283**	302,283
Other Islamic borrowings	**19,737**	18,945
	167,020	321,228
Total borrowings	**666,816**	826,389

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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
Disposal of a subsidiary	-	(9,200)	(9,200)
Repayments	(47,284)	(4,577)	(51,861)
31 December 2013 – audited	701,870	124,519	826,389
1 January 2014	701,870	124,519	826,389
Adjustments/Transfers	(60,000)	-	(60,000)
Repayments	(85,462)	(14,111)	(99,573)
30 September 2014 – Unaudited	**556,408**	**110,408**	**666,816**

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 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 reporting date. The Islamic finance obligations are secured by mortgages over properties classified under properties 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 110,408,000 (2013: AED 124,519,000) with a local Islamic bank and carries an effective profit rate based on 3 months EIBOR + 3%, with a minimum of 5.5% (2013: 3 months EIBOR + 3%, with a minimum of 5.5%). 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 Islamic finance obligations also includes facility obtained from a financial institution amounting to AED 145,000,000 (2013: AED 255,000,000) which does not carry any profit rate and is repayable in half yearly instalments over a period of one and a half year period. Also refer note 11.

The borrowings include an amount of AED 311,968,000 (2013: AED 337,806,000) obtained from a 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. The Company is in the process of filing an appeal against the above judgement and has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the matter is sub-judice, therefore this information may be prejudicial to their position in this matter.

11 LIABILITY WRITTEN BACK

On 14 August 2014, the Company entered into an amicable settlement agreement with a financial institution to repay an Islamic financial obligation. The terms of settlement agreement has resulted a reduction of principal amount by AED 60 million and waiver of accrued profit by AED 87.92 million. Accordingly, an amount of AED 147.9 million has been recognized as an income in third quarter of current period. Also refer note 9.

12 PROVISION FOR IMPAIRMENT AGAINST LAND

The provision relates to plots of land, which are expected to be swapped with other plots of land in another location by the master developer due to changes in the master development plan. The provision is reflective of the initial assessment which has been determined on the basis of management's best estimate of the value of the new land expected to be received by the Company.

13 REVENUE

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)		(Unaudited)	
Sale of properties	**885,955**	223,126	**131,060**	76,054
Forfeiture income	**2,852**	104,861	**550**	3,859
Property management	**28,140**	25,373	**8,911**	6,438
Facilities management	**23,746**	21,033	**8,242**	7,917
Leasing	**20,191**	22,855	**6,530**	9,152
Others	**-**	4,004	**-**	373
	960,884	401,252	**155,293**	103,793

14 DIRECT COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)		(Unaudited)	
Cost of properties sold	**858,409**	221,079	**124,409**	76,781
Facilities management	**9,485**	10,163	**2,789**	4,113
Reversal of impairment of properties held for development and sale, net (refer note 7)	**(161,943)**	(29,784)	**(15,368)**	(33,171)
Leasing	**1,730**	2,767	**740**	993
Others	**305**	2,178	**120**	458
	707,986	206,403	**112,690**	49,174

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

15 CASH FLOWS FROM OPERATING ACTIVITIES

	Nine months ended 30 September	
	2014	2013
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit for the period	**193,035**	87,148
Adjustment for		
Depreciation	**2,082**	8,459
Provision for employees' end of service benefits	**2,392**	2,542
Provision for doubtful debts	**-**	2,716
(Reversal of) / provision for impairment of properties held for development and sale	**(161,943)**	(29,784)
Reversal of Liability/Provision against claims –Net	**(42,757)**	-
Gain on disposal of subsidiary	**-**	(27,679)
Gain from fair value adjustments on investment properties	**-**	(36,585)
Provision for impairment in joint ventures and associates	**-**	57,698
Finance income	**(5,577)**	(2,540)
Finance costs	**31,262**	31,410
Share of results from associates and a joint venture	**(12,985)**	7,865
Gain on disposal of investment in a joint venture	**(1,017)**	-
Gain on disposal of property & equipment	**(87)**	(3)
Payment of employees' end of service benefits	**(1,155)**	(2,196)
Decrease / (increase) in non-current trade and other receivables	**1,106**	(34,671)
Increase/(decrease) in non-current retentions payable	**(5,908)**	11,497
Increase in non-current advance from customers	**67,974**	-
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	**870,441**	132,139
Trade and other receivables	**(72,910)**	83,492
Inventories	**(15)**	(1,542)
Due from related parties	**(14,739)**	2,700
Retentions payable	**(20,379)**	(28,036)
Advances from customers	**(273,781)**	(129,248)
Trade and other payables	**38,454**	15,191
Due to related parties	**(1,601)**	2,024
Net cash generated from operating activities	**591,892**	152,597

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

16 COMMITMENTS

At 30 September 2014, the Group had total commitments of AED 33,732,000 (31 December 2013: AED 13,417,000) with respect to project related contracts issued as of the end of 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 278,604,000 (31 December 2013: AED 419,639,000). Also refer note 8.

17 CONTINGENT LIABILITIES

At 30 September 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 112,804,000 (31 December 2013: AED 84,539,000).

Certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, cannot be quantified at this stage. However, in the opinion of the management these contingent liabilities are not likely to be material.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

18 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

30 September 2014	Loans and receivables (at amortized cost) AED'000	Available-for-sale financial assets (at fair value) AED'000	Total AED'000
Assets as per statement of financial position			
Available-for-sale financial assets	-	27,306	27,306
Trade and other receivables excluding prepayments, advances to contractors and suppliers	254,343	-	254,343
Due from related parties	2,648,412	-	2,648,412
Bank balances	1,066,260	-	1,066,260
	3,969,015	27,306	3,996,321

	At amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position		
Trade and other payables	738,438	738,438
Retentions payable	31,802	31,802
Borrowings	666,816	666,816
Due to related parties	14,056	14,056
	1,451,112	1,451,112

31 December 2013	Loans and receivables (at amortized cost) AED'000	Available-for-sale financial assets (at fair value) AED'000	Total AED'000
Assets as per statement of financial position			
Available-for-sale financial assets	-	25,381	25,381
Trade and other receivables excluding prepayments, advances to contractors and suppliers	147,936	-	147,936
Due from related parties	2,633,673	-	2,633,673
Bank balances	546,979	-	546,979
	3,328,588	25,381	3,353,969

	At amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position		
Trade and other payables	772,947	772,947
Retentions payable	58,089	58,089
Borrowings	826,389	826,389
Due to related parties	15,657	15,657
	1,673,082	1,673,082

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (continued)

18 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The following table presents the Group's financial assets that are measured at fair value, by valuation method:

	Level 1 AED'000	Level 3 AED'000	Total AED'000
As at 30 September 2014			
Available-for-sale financial assets	27,306	-	27,306
As at 31 December 2013			
Available-for-sale financial assets	-	25,381	25,381

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values keeping in view the period over which these are expected to be realised. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.