DEYAAR DEVELOPMENT PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2015

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Unaudited)

For the three months ended 31 March 2015

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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 31 March 2015 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 31 March 2015;
- the condensed consolidated statement of profit or loss for the three month period ended 31 March 2015;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2015;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2015;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2015; 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 31 March 2015 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 three month period ended 31 March 2014 were reviewed by another auditor who expressed an unmodified review conclusion on the condensed consolidated interim financial information for the three month period ended 31 March 2014 on 30 April 2014.

KPMG

KPMG Lower Gulf Limited
Munther Dajani
Registration No: 268
Dubai, United Arab Emirates

14 APR 2015

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

	Note	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**39,824**	39,865
Investment properties	6	**329,980**	329,320
Properties held for development and sale	8	**700,886**	695,906
Trade and other receivables		**21,000**	35,005
Investments in joint ventures and associates		**1,097,793**	1,032,579
Long term fixed deposits	7	**53,938**	53,559
Available-for-sale financial assets		**23,703**	24,841
		2,267,124	2,211,075
Current assets			
Properties held for development and sale	8	**671,835**	707,228
Inventories		**2,065**	1,742
Due from related parties	9	**2,003,451**	1,959,974
Trade and other receivables		**254,130**	224,608
Cash and bank balances		**965,480**	994,292
		3,896,961	3,887,844
Total assets		**6,164,085**	6,098,919
EQUITY			
Share capital		**5,778,000**	5,778,000
Statutory reserve		**213,394**	213,394
Available for sale fair valuation reserve		**4,368**	5,506
Accumulated losses		**(1,568,617)**	(1,623,836)
Total equity		**4,427,145**	4,373,064
LIABILITIES			
Non-current liabilities			
Borrowings	10	**420,874**	482,870
Retentions payable		**1,455**	1,241
Advances from customers		**152,821**	101,317
Provision for employees' end of service benefits		**9,677**	9,350
		584,827	594,778
Current liabilities			
Borrowings	10	**162,567**	167,292
Trade and other payables	11	**793,698**	736,910
Retentions payable		**25,643**	25,733
Advances from customers		**156,082**	186,968
Due to related parties	9	**14,123**	14,174
		1,152,113	1,131,077
Total liabilities		**1,736,940**	1,725,855
Total equity and liabilities		**6,164,085**	6,098,919

The condensed consolidated interim financial information was authorised for issue on 14 APR 2015

Saeed Al Qatami
Chief Executive Officer

Hawary H. Marshad
Chief Financial Officer

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three months period ended 31 March 2015

	Note	Three months ended 31 March 2015 AED'000 (Unaudited)	2014 AED'000 (Unaudited)
Revenue	12	**62,705**	317,340
Operating costs	13	**(38,373)**	(208,456)
Other operating income		**3,036**	6,293
General and administrative expenses		**(33,105)**	(34,364)
Provision for claims	11	**(55,522)**	(34,400)
Write back of provision for impairment against advance for purchase of properties	14	**56,469**	-
Operating (loss) / profit		**(4,790)**	46,413
Finance cost		**(7,910)**	(11,456)
Finance income		**2,498**	1,386
Finance cost, net		**(5,412)**	(10,070)
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		**65,421**	14,752
Profit for the period		**55,219**	52,112
Profit attributable to:			
Owners of the Company		**55,219**	52,112
		55,219	52,112
Earning per share attributable to the equity holders of the Company during the period - basic and diluted		**Fils 0.96**	Fils 0.90

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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 AND OTHER COMPREHENSIVE INCOME

For the three months period ended 31 March 2015

	Three months ended 31 March	
	2015	2014
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit for the period	**55,219**	52,112
Other comprehensive income from items that may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial assets	**(1,138)**	749
Exchange translation loss reclassified to profit or loss on disposal of a joint venture	-	4,863
Other comprehensive income for the period	**(1,138)**	5,612
Total comprehensive income for the period	**54,081**	57,724
Attributable to:		
Owners of the Company	**54,081**	57,724
Total comprehensive income for the period	**54,081**	57,724

The notes on pages 7 to 20 are an integral part of this 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 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 2014 (audited)	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	-	-	-	-	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
At 1 January 2015 (audited)	5,778,000	213,394	-	5,506	(1,623,836)	4,373,064
Total comprehensive income for the period (unaudited)						
Profit for the period	-	-	-	-	55,219	55,219
Other comprehensive income for the period	-	-	-	(1,138)	-	(1,138)
Total comprehensive income for the period	-	-	-	(1,138)	55,219	54,081
Balance at 31 March 2015 (unaudited)	**5,778,000**	**213,394**	-	**4,368**	**(1,568,617)**	**4,427,145**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Three months ended 31 March 2015 AED'000 (Unaudited)	2014 AED'000 (Unaudited)
Cash flows from operating activities			
Net cash generated from operating activities	15	**45,008**	308,115
Cash flows from investing activities			
Payments to acquire property and equipment		**(769)**	(383)
Proceeds on reduction of investment in an associate		**206**	200
Proceeds from disposal of investment in joint ventures		**-**	5,880
Additions to investment property – net		**(660)**	-
Term deposits maturing after three months		**354,621**	-
Income from deposits		**2,383**	1,235
Net cash generated from investing activities		**355,781**	6,932
Cash flows from financing activities			
Net movement in borrowings		**(66,721)**	(16,460)
Finance costs paid		**(7,880)**	(7,380)
Net cash used in financing activities		**(74,601)**	(23,840)
Net increase in cash and cash equivalents		**326,188**	291,207
Cash and cash equivalents, beginning of the period		**439,292**	527,825
Cash and cash equivalents, end of the period		**765,480**	819,032

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

Cash on hand		**792**	1,016
Current accounts		**189,672**	261,878
Fixed deposits		**828,954**	576,138
Cash and bank balances		**1,019,418**	839,032
Less : Deposit maturing after 3 months		**(253,938)**	-
Less: Islamic financing		**-**	(20,000)
Cash and cash equivalents		**765,480**	819,032

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 three month period ended 31 March 2015 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 2014, 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 2014.

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 2014.

Measurement of fair values

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

The valuation 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 valuation 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 in which the change has occurred.

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 2014.

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.

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 two major operating segments: Property development 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	Property and facilities management AED'000	Total AED'000
Three months ended 31 March 2015 (unaudited)			
Segment revenues – external	**45,594**	**17,111**	**62,705**
Segment profit	**49,293**	**5,926**	**55,219**
As at 31 March 2015 (unaudited)			
Segment assets	**6,018,985**	**145,100**	**6,164,085**
Three months ended 31 March 2014 (unaudited)			
Segment revenues – external	299,942	17,398	317,340
Segment profit	45,926	6,186	52,112
As at 31 December 2014			
Segment assets	5,977,758	121,161	6,098,919

Geographic information

Total assets located outside the United Arab Emirates as at 31 March 2015 amount to AED 3,280,304 (31 December 2014: AED 3,280,000).

6 Investment properties

	UAE Office Building AED'000	UAE Land AED'000	UAE Retail Units AED'000	31 March 2015 Total AED'000	31 December 2014 Total AED'000
Fair value hierarchy	3	3	3		
Fair value at the beginning of reporting period	68,564	92,051	168,705	329,320	265,521
Additions/ (Disposals)	-	660	-	660	(104,906)
Transfer from Property held for sale	-	-	-	-	118,588
Net gain from fair value adjustments on investment properties	-	-	-	-	50,117
Fair value at the end of reporting period	68,564	92,711	168,705	329,980	329,320

During the year ended 31 December 2014, the Company reclassified its portfolio of retail units with a carrying value of AED 118 million from property held for sales to investment properties as a result of the change in management's intention for the use of these units as reflected in the Company's relevant business model. The units were reclassified to investment properties at their fair value on the date of transfer resulting in a fair value gain of AED 50 million. The gain was recognised in the consolidated statement of profit or loss in accordance with the fair value accounting policy adopted for the measurement of investment properties.

At 31 March 2015, the Group did not have any non performing contractual obligations for future repairs and maintenance.

Bank borrowings are secured on investment properties for a value of AED 80,000,000 (2014: AED 158,500,000)

Valuation processes

Lands and retail units 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 building is 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 as and when required.

Management believes that there was no material variance in the value of the Group's investment properties in the current period.

6 Investment properties (continued)

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	 Impact higher AED'000
UAE	Office building	Income capitalisation	Estimated rental value	AED 80 to AED 180 per sqft per annum	(733)	733
			Discount rate	12.3%	8,419	(6,729)

A change of 100 basis points in management's estimate at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown above.

Valuation techniques underlying management's estimation of fair value:

For office building, 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, as at 31 December 2014, the valuation was determined by an independent firm of surveyors and property consultant by taking into account the Gross Development Value when property is completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs thus deriving the land value. Further adjustments are applied in terms of the various characteristics of the property. Further, management also refers to indicative values as per sales comparison approach as identified by the independent valuers on a periodic basis.

For retail units, the valuation was determined by Group finance department using the indicative fair values of these investment properties as at 31 December 2014 provided by various independent firms of surveyors and property consultant. These surveyors have used methods of sales comparison and income capitalisation to determine the fair values of retail units.

7 Long term fixed deposits

In 2014, the Company had signed a financial restructuring plan with a financial institution to settle its wakala deposit amounting to AED 101 million. Key terms of the financial restructuring plan were as follows:

- The financial institution will make a 20% of the outstanding amount as a down payment upon signing the restructuring plan;
- 65% of the amount will be paid in monthly predetermined instalments, over a period of 12 years and will carry interest rate of 2% per annum; and
- 15% of the remaining amount will be converted in to a convertible contingent instruments and will be settled in cash or the financial institution's equity shares or combination of both after a period of 12 years. This will carry a profit rate of 1% payment in kind.

Upon signing the restructuring plan, and considering the key terms of the plan, management recognized an impairment charge of AED 15.3 million and present value impact of AED 6.7 million on the non-current fixed deposit. During 2014, the Company had received AED 25 million from the financial institution towards the repayment of deposit including early repayment of some of the instalments. The balance outstanding amount has been classified as non-current in accordance with the agreement.

8 Properties 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 2014	244,396	1,165,409	261,157	1,670,962
Additions	308,783	32,531	401,775	743,089
Transfer due to completion of properties	-	161,434	(161,434)	-
Adjustment /reclassification to advances	-	(45,661)	(114,375)	(160,036)
Reversal of impairment	-	158,949	-	158,949
Transfer to investment property (refer note 6)	-	(118,588)	-	(118,588)
Transfer to property and equipment	-	(10,642)	-	(10,642)
Sales	-	(880,600)	-	(880,600)
31 December 2014 – audited	553,179	462,832	387,123	1,403,134
1 January 2015	553,179	462,832	387,123	1,403,134
Additions	160	-	4,420	4,580
Reversal of impairment	-	3,052	-	3,052
Transfers	(400)	-	400	-
Sales	-	(38,045)	-	(38,045)
31 March 2015 – unaudited	**552,939**	**427,839**	**391,943**	**1,372,721**

	31 March 2015 **AED'000**	31 December 2014 AED'000
Non-Current portion	**700,886**	695,906
Current portion	**671,835**	707,228
	1,372,721	1,403,134

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of impairment amounting to AED 3,051,888 (for year ended 31 December 2014: AED 158,949,000 and for three month period ended 31 March 2014: AED 74,087,000), which has been recognised in condensed consolidated statement of profit or loss under "operating costs". (Refer note 13).

Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers. For units not yet booked by customers, net realisable value takes into consideration the current market values.

A building and a plot of land with a total carrying value of AED 292,756,000 (2014: AED 292,756,000) are mortgaged under Islamic finance obligations (Note 10).

For land held for future development and use, management is currently evaluating feasibility of the projects and considering alternative viable and profitable options.

9 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 2015 AED'000	Three months ended 31 March 2014 AED'000
	(Unaudited)	(Unaudited)
Other operating income/finance income		
A significant shareholder	**653**	277
A joint venture	**1,096**	4,756

(b) Remuneration of key management personnel

	Three months ended 31 March 2015 AED'000	Three months ended 31 March 2014 AED'000
	(Unaudited)	(Unaudited)
Compensation to key management personnel		
Salaries and other short term employee benefits	**7,785**	5,864
Termination and post-employment benefits	**240**	543
Directors' fees	**375**	218
	8,400	6,625

(c) Due from related parties comprises:

	31 March 2015 AED'000	31 December 2014 AED'000
	(Unaudited)	(Audited)
Due from joint ventures	**150,778**	131,976
Due from other related parties	**1,852,673**	1,827,998
	2,003,451	1,959,974

Cash and cash equivalents include fixed deposits of AED 290,000,000 (31 December 2014: AED 455,000,000) deposited with a significant shareholder, a bank.

At 31 March 2015, the Group had bank borrowings from a significant shareholder, a bank, of AED 294,742,000 (31 December 2014: AED 303,355,000).

9 Related party transactions and balances (continued)

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 as per the initial agreement was AED 3,647,483,730.

The salient terms and conditions of the transaction were as follows:

i. The sale consideration is receivable on or before 1 March 2016;
ii. The sale consideration can be settled in cash or in 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 731 million, as a result of the purchaser's commitment to settle this balance on demand, on or before 31 December 2015, in cash or in kind, or a combination of both.

During 2014, pursuant to the addendum to original sale and purchase agreement for a plot of land with the master developer, the Group had entered into an amendment agreement with the related party, which resulted in a further reduction of the sale consideration by AED 141 million. In the current period, the Company settled an amount of AED 25 million relating to certain plots on behalf of the related party resulting in reduction of the Company's commitments. 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.

In 2014, the related party had transferred plots of land thereby settling receivable balance of AED 669,307,510 against the outstanding receivable. Management expects that the balance receivable will be settled during 2015.

(d) Due to related parties comprises:

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Current		
Due to a significant shareholder	**1,824**	1,875
Due to joint ventures	**12,299**	12,299
	14,123	14,174

10 Borrowings

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Non-current	**420,874**	482,870
Current	**162,567**	167,292
Total borrowings	**583,441**	650,162

10 Borrowings (continued)

	Islamic finance obligations AED'000
1 January 2014	826,389
Repayments	(176,227)
31 December 2014 – audited	650,162
1 January 2015	650,162
Repayments	(66,721)
31 March 2015 – Unaudited	**583,441**

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 carried an effective profit rate of EIBOR + 3%, with a minimum of 5%, to 5.5% per annum (2014: EIBOR + 3%, with a minimum of 5%, to 5.5% per annum), and are repayable in monthly or quarterly instalments over a period of two to eight years from the reporting date. During the current period, the Group signed restructuring agreements of Ijarah and Murabaha facilities with the banks, whereby these facilities have been restructured into finance obligations repayable over one to eight years, with a revised profit rates of EIBOR + 2.5% and 3%, with a minimum of 3.75% and 4% respectively. The Company is currently in the process of finalising the relevant facilities documents.

The Islamic finance obligations are secured by mortgages over properties classified under property held for development and sale (Note 8), property and equipment and investment property (Note 6).

In August 2014, the Company had entered into a settlement agreement with a financial institution to repay the Islamic financial obligation. In accordance with the settlement agreement, the balance amount payable was classified between current and non-current portion after recognizing the present value impact on non-current portion. The Islamic finance obligations included facility obtained from that financial institution amounting to AED 95,000,000 (2014: AED 145,000,000), which does not carry any profit rate and is repayable in half yearly instalments over a period of one year.

The borrowings include an amount of AED 294,742,000 (2014: AED 303,355,000) obtained from the significant shareholder.

11 Trade and other payables

Trade and other payables include provision for claims mainly representing the following:

i. Provision relating to claims made by contractors against the Company for project delays. The provision is reflective of the initial assessment which has been determined on the basis of management's best estimate of the liability that the company may incur on these claims.

ii. Provision relating to a claim made by a third party against the Company which relates to a financing facility to purchase a share in a project. The provision is based on management's best estimate after considering the potential cash flows in respect of the claim that is currently sub-judice.

The Company 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 legal claims are sub-judice and contractors claims are disputed, this information may be prejudicial to their position on these matters.

12 Revenue

	Three months ended 31 March	
	2015	**2014**
	AED'000	**AED'000**
	(Unaudited)	
Sale of properties	**37,385**	290,243
Property management fees	**9,665**	9,665
Facilities management fees	**7,446**	7,733
Leasing	**7,346**	7,682
Forfeiture income	**863**	2,017
	62,705	317,340

13 Operating costs

	Three months ended 31 March	
	2015	**2014**
	AED'000	**AED'000**
	(Unaudited)	
Cost of sold properties	**38,077**	278,028
Facilities management	**2,975**	4,118
Leasing	**340**	332
Others	**33**	65
Reversal for impairment	**(3,052)**	(74,087)
	38,373	208,456

14 Write back of provision for impairment against advance for purchase of properties

In 2014, the Company had recorded an impairment provision of AED 68.6 million against an advance paid for purchase of properties, which were expected to be swapped with other plots of land due to changes in the master development plan. The provision was reflective of the initial assessment which was determined on the basis of management's best estimate of the value of the new land expected to be received by the Company in 2014. In the current period, the master developer has proposed settlement options to the Company to accommodate the Company for the advance paid for purchase of properties. The write back of provision has been determined on the basis of offers received from the master developer and is on the basis on their fair values as determined by an independent firm of surveyors and property consultant.

15 Cash flows from operating activities

	Three months ended 31 March	
	2015	**2014**
	AED'000	**AED'000**
	(Unaudited)	(Unaudited)
Profit for the period	**55,219**	52,112
Adjustment for		
Depreciation	**811**	575
Provision for employees' end of service benefits	**734**	1,297
Reversal of provision for impairment of properties held for development and sale	**(3,052)**	(74,087)
Provision for claims	**55,522**	34,400
Write back of provision for impairment against advance for purchase of properties	**(56,469)**	-
Finance income	**(2,498)**	(1,386)
Finance costs	**7,910**	11,456
Share of results from associates and a joint venture	**(65,421)**	(14,752)
Gain on disposal of investment in a joint venture	**-**	(1,017)
Operating cash flows (used in) / generated from operating activities before payment of employees' end of service benefits and changes in working capital	**(7,244)**	8,598
Payment of employees' end of service benefits	**(408)**	(136)
Increase in non-current trade and other receivables	**14,005**	17,484
Increase in non-current retentions payable	**214**	1,057
Increase in non-current advance from customers	**51,504**	-
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	**33,466**	270,833
Trade and other receivables	**27,062**	4,266
Inventories	**(324)**	90
Due from related parties	**(43,476)**	(1,651)
Retentions payable	**(90)**	(24,988)
Advances from customers	**(30,886)**	28,386
Trade and other payables	**1,236**	5,889
Due to related parties	**(51)**	(1,713)
Net cash generated from operating activities	**45,008**	**308,115**

16 Commitments

At 31 March 2015, the Group had total commitments of AED 461,330,000 (31 December 2014: AED 25,175,000) 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 253,970,000 (31 December 2014: AED 278,604,000).

17 Contingent liabilities

At 31 March 2015, 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 145,025,000 (31 December 2014: AED 128,881,000).

The Company is also a party to certain legal cases where the master developers have provided the Company with handover certificate for certain plots of land but the Company did not accept the handover due to the status of infrastructure. Legal cases / claims have been filed by few of the master developers claiming outstanding amounts along with the penalty charges. The management is of the opinion that the Company is not liable to pay any penalty charges based on the contractual obligations. Furthermore, after their review of opinion provided by the legal advisors, the Company's management is of the opinion that no cash outflow is expected by the Company against these penalty charges. Considering these factors and the fact that these legal claims (penalty charges) are at initial stages, the Company has not recognised any provision in respect of these penalty charges. The Company 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 legal claims are sub-judice and are disputed, this information may be prejudicial to their position on these matters.

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.

18 Financial instruments by category

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

31 March 2015	Loans and receivables (at amortised 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	-	23,703	23,703
Trade and other receivables excluding prepayments, advances to contractors and suppliers	130,353	-	130,353
Due from related parties	2,003,451	-	2,003,451
Long term fixed deposits	53,938	-	53,938
Cash and bank balances	964,688	-	964,688
	3,152,430	**23,703**	**3,176,133**

	At amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position		
Trade and other payables	661,681	661,681
Retentions payable	27,098	27,098
Borrowings	583,441	583,441
Due to related parties	14,123	14,123
	1,286,343	**1,286,343**

31 December 2014	Loans and receivables (at amortised 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	-	24,841	24,841
Trade and other receivables excluding prepayments, advances to contractors and suppliers	173,144	-	173,144
Due from related parties	1,959,974	-	1,959,974
Long term fixed deposits	53,559	-	53,559
Cash and bank balances	993,113	-	993,113
	3,179,790	**24,841**	**3,204,631**

	At amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position		
Trade and other payables	660,415	660,415
Provisions for claims	76,495	76,495
Retentions payable	26,974	26,974
Borrowings	650,162	650,162
Due to related parties	14,174	14,174
	1,428,220	**1,428,220**

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	Total AED'000
As at 31 March 2015		
Available-for-sale financial assets	**23,703**	**23,703**
As at 31 December 2014		
Available-for-sale financial assets	24,841	24,841

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.