DEYAAR DEVELOPMENT PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 31 MARCH 2012

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
For the three months ended 31 March 2012

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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 of 31 March 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

19 April 2012

Amin H. Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

INTERIM CONSOLIDATED BALANCE SHEET

	Note	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		40,042	41,661
Investment property	6	1,221,575	1,219,718
Trade and other receivables		16,029	36,899
Investments in associates		277,312	277,205
Available-for-sale financial assets		19,507	19,507
Due from related parties	8	2,394,056	2,394,056
		3,968,521	3,989,046
Current assets			
Property held for development and sale	7	2,090,369	2,146,707
Inventories		4,277	4,875
Due from related parties	8	19,036	18,898
Trade and other receivables		322,815	295,073
Cash and bank balances		305,117	339,568
		2,741,614	2,805,121
Total assets		6,710,135	6,794,167
EQUITY			
Share capital		5,778,000	5,778,000
Statutory reserve		172,256	172,256
Exchange translation reserve		(25,888)	(32,282)
Available for sale fair valuation reserve		172	172
Accumulated losses		(2,048,283)	(2,057,670)
Total equity		3,876,257	3,860,476
LIABILITIES			
Non-current liabilities			
Borrowings	9	2,628	118,000
Trade and other payables		294,368	294,368
Retentions payable		28,754	49,975
Advances from customers		197,967	197,967
Provision for employees' end of service benefits		7,802	7,594
		531,519	667,904
Current liabilities			
Borrowings	9	895,345	797,548
Trade and other payables		512,181	488,550
Retentions payable		99,864	69,541
Advances from customers		779,779	895,735
Due to related parties	8	15,190	14,413
		2,302,359	2,265,787
Total liabilities		2,833,878	2,933,691
Total equity and liabilities		6,710,135	6,794,167

This interim condensed consolidated financial information was approved by the Board of Directors on 18 April 2012 and signed on its behalf by:

Saeed Al Qatami
Acting Chief Executive Officer

Yawar Pasha
Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	Three months ended 31 March 2012 AED'000	2011 AED'000
		(Unaudited)	
Revenue	10	149,901	145,845
Direct costs	11	(101,763)	(111,776)
Gross profit		**48,138**	**34,069**
Other operating income/(expense)		1,270	(409)
Expenses			
General and administrative	12	(25,863)	3,899
Marketing and selling		(92)	(341)
Loss on fair valuation of investment property	6	-	(8,459)
Operating profit		**16,201**	**28,759**
Finance cost		(18,262)	(8,040)
Finance income		4,089	6,365
Finance cost, net		**(6,921)**	**(1,675)**
Share of results from associates		107	(24)
Profit before income tax		**9,387**	**27,060**
Income tax expense		-	(728)
Profit for the period		**9,387**	**26,332**
Earnings per share attributable to the equity holders of the Company during the period – Basic and diluted		**Fils 0.16**	**Fils 0.46**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 31 March	
	2012 **AED'000**	**2011** **AED'000**
	(Unaudited)	
Profit for the period	9,387	26,332
Other comprehensive income		
Currency translation differences	6,394	(339)
Total comprehensive profit for the period	**15,781**	**25,993**

The notes on pages 7 to 16 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 2011	5,778,000	155,278	(11,127)	-	(2,078,395)	3,843,756
Comprehensive income						
Profit for the period	-	-	-	-	26,332	26,332
Other comprehensive income						
Translation reserve	-	-	(339)	-	-	(339)
Balance at 31 March 2011 (unaudited)	**5,778,000**	**155,278**	**(11,466)**	**-**	**(2,052,063)**	**3,869,749**
At 1 January 2012	5,778,000	172,256	(32,282)	172	(2,057,670)	3,860,476
Comprehensive income						
Profit for the period	-	-	-	-	9,387	9,387
Other comprehensive income						
Translation reserve	-	-	6,394	-	-	6,394
Balance at 31 March 2012 (unaudited)	**5,778,000**	**172,256**	**(25,888)**	**172**	**(2,048,283)**	**3,876,257**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Three months ended 31 March 2012 AED'000	2011 AED'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Net cash (used in)/generated by operating activities	12	**(8,659)**	**947**
Cash flows from investing activities			
Payments to acquire property and equipment		(307)	(454)
Proceeds from sale of property and equipment		291	-
Additions to investment property - net		(1,783)	(8,629)
Term deposits maturing after three months		20,760	42,793
Income from deposits		2,254	4,087
Net cash generated from investing activities		**21,215**	**37,797**
Cash flows from financing activities			
Net movement in borrowings		(21,148)	(33,970)
Finance costs paid		(12,799)	(11,029)
Net cash used in financing activities		**(33,947)**	**(44,999)**
Decrease in cash and cash equivalents		**(21,390)**	**(6,255)**
Cash and cash equivalents, beginning of the period		171,369	62,447
Exchange gain/(loss) on cash and cash equivalents		4,127	(29)
Cash and cash equivalents, end of the period		**154,106**	**56,163**

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

	2012	2011
Cash in hand	413	305
Current accounts	122,007	153,643
Fixed deposits	182,697	242,254
Cash and bank balances	**305,117**	**396,202**
Less : Deposits maturing after 3 months	-	(214,037)
Less : Islamic financing	(151,011)	(126,002)
Cash and cash equivalents	**154,106**	**56,163**

1 LEGAL STATUS AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to profit already recognised.

2.2 Significant accounting policies

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

IFRS 7, Financial instruments: Disclosures (Amendment)

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

IAS 12, Income taxes (Amendment)

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

3 ESTIMATES AND ASSUMPTIONS

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

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

4.2 Liquidity risk factors

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

5 SEGMENTAL INFORMATION

Operating segment:

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

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

	Property development activities AED'000	Electrical and mechanical works AED'000	Property and facilities management AED'000	Total AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	
Three months ended 31 March 2012				
Segment revenues – external	126,397	7,365	16,139	149,901
Segment profit/(losses)	2,402	(1,877)	8,862	9,387
As at 31 March 2012				
Segment assets	6,565,616	66,893	77,626	6,710,135
Three months ended 31 March 2011				
Segment revenues – external	107,041	27,127	11,677	145,845
Segment profit/(losses)	25,493	(4,572)	5,411	26,332
As at 31 March 2011				
Segment assets	7,868,310	90,994	71,453	8,030,757

Geographic information

Revenues earned from properties outside the United Arab Emirates amount to AED Nil (Period ended 31 March 2011: AED 14,439,000). Total assets located outside the United Arab Emirates amount to AED 317,548,000 (31 December 2011: AED 315,490,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

6 INVESTMENT PROPERTY

	Land AED'000	Buildings AED'000	Capital work-in-progress AED'000	Total AED'000
Three months ended 31 March 2011				
1 January 2011	282,074	90,512	952,100	1,324,686
Additions	-	2,499	8,168	10,667
Reversal of accruals	-	(320)	-	(320)
Capitalised borrowing costs	-	-	8,238	8,238
Net loss from fair value adjustments on investment property	-	(8,459)	-	(8,459)
Effect of translation to presentation currency	(29)	-	-	(29)
31 March 2011 – unaudited	282,045	84,232	968,506	1,334,783
Three months ended 31 March 2012				
1 January 2012	265,232	55,877	898,608	1,219,718
Additions	-	395	-	395
Effect of translation to presentation currency	1,462	-	-	1,462
31 March 2012 – unaudited	266,694	56,272	898,608	1,221,575

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 2011	240,000	252,342	2,169,888	2,662,230
Additions	-	-	86,920	86,920
Reversal of accruals	-	-	(6,402)	(6,402)
Provision for impairment	-	(58,329)	(4,691)	(63,020)
Reversal of impairment	-	15,325	51,388	66,713
Borrowing costs capitalised	-	-	1,869	1,869
Transfers	-	1,099,178	(1,099,178)	-
Sales	-	(80,958)	-	(80,958)
31 March 2011 – unaudited	240,000	1,227,558	1,199,794	2,667,352
1 January 2012	240,000	669,299	1,237,408	2,146,707
Additions	-	-	30,893	30,893
Reversal of accruals	-	-	(166)	(166)
Provision for impairment	-	(49,492)	(920)	(50,412)
Reversal of impairment	-	5,113	3,642	8,755
Borrowing costs capitalised	-	-	719	719
Transfers	-	244,094	(244,094)	-
Sales	-	(46,127)	-	(46,127)
31 March 2012 – unaudited	240,000	822,887	1,027,482	2,090,369

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Related party transactions

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

	Three months ended 31 March 2012 AED'000	Three months ended 31 March 2011 AED'000
	(Unaudited)	(Unaudited)
Other operating income/finance income		
A significant shareholder	445	1,485

(b) Remuneration of key management personnel

	Three months ended 31 March 2012 AED'000	Three months ended 31 March 2011 AED'000
	(Unaudited)	(Unaudited)
Compensation to key management personnel		
Salaries and other short term employee benefits	5,382	5,285
Termination and post employment benefits	150	169
Director's fees	218	218
	5,750	5,672

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Due from related parties comprises:

	31 March 2012 AED'000	31 December 2011 AED'000
	(Unaudited)	(Audited)
Non-current		
Due from other related parties	2,394,056	2,394,056
Current		
Due from joint ventures	18,292	17,782
Due from other related parties	744	1,116
	19,036	18,898

Cash and cash equivalents include fixed deposits of AED 80,842,000 (31 December 2011: AED 80,917,000) deposited with a significant shareholder.

At 31 March 2012, the Group had bank borrowings from a significant shareholder of AED 381,000,000 (2011: AED 390,000,000).

In 2010, the Group entered into a sale and purchase agreement with a related party to sell properties with a carrying value of AED 1,337,846,000 and rights to purchase plots amounting to AED 899,589,000.

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

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

The non-current due from other related party balance represents the discounted value of the above consideration at a rate of 7% per annum.

(d) Due to related parties comprises:

	31 March 2012 AED'000	31 December 2011 AED'000
	(Unaudited)	(Audited)
Current		
Due to a significant shareholder	2,285	2,148
Due to joint ventures	12,905	12,265
	15,190	14,413

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

9 BORROWINGS

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Non-current		
Islamic finance obligations	-	118,000
Other Islamic borrowings	2,628	-
	2,628	118,000
Current		
Islamic finance obligations	744,334	646,167
Other Islamic borrowings	151,011	151,381
	895,345	797,548
Total borrowings	897,973	915,548

	Islamic finance obligations AED'000	Other Islamic borrowings AED'000	Total AED'000
1 January 2011	878,475	153,485	1,031,960
Additions	-	2,968	2,968
Repayments	(9,825)	(24,145)	(33,970)
31 March 2011 – Unaudited	868,650	132,308	1,000,958
1 January 2012	764,167	151,381	915,548
Additions	-	3,028	3,028
Repayments	(19,833)	(770)	(20,603)
31 March 2012 – Unaudited	744,334	153,639	897,973

The Islamic finance obligations represent Ijarah and Mudarabah facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks and financial institutions. The facilities are used to finance the properties under construction and investment property. The Islamic finance obligations carried an effective profit rate of 4.5% to 9.5% per annum (31 December 201: 4.5% to 9.5% per annum).

The Islamic finance obligations include an amount of AED 381,000,000 (31 December 2011: AED 390,000,000) obtained from the significant shareholder.

Other Islamic borrowings include an overdraft facility amounting to AED 150,135,000 (31 December 2011: AED 147,439,000) with a local Islamic bank and carries an effective profit rate based on EIBOR.

Other Islamic borrowings also include loans obtained to finance the purchase of motor vehicles and equipment. The loans are secured by mortgages over the vehicles and equipment purchased. These loans carry profit at an average rate of 4.3% per annum and are repayable in equal monthly instalments over a period of three to four years.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

10 REVENUE

	Three months ended 31 March	
	2012 **AED'000**	**2011** **AED'000**
	(Unaudited)	
Sale of properties	44,433	132,806
Forfeiture income	78,704	45,294
Facilities management	8,704	4,504
Property management	7,435	7,174
Contract revenue	7,215	26,589
Leasing	3,260	3,933
Others	150	538
Properties returned	-	(74,993)
	149,901	145,845

11 DIRECT COSTS

Cost of properties sold	46,127	121,298
Provision for/(reversal of) impairment, net	41,657	(3,693)
Contract costs	8,271	28,015
Facilities management	4,045	1,766
Leasing	1,227	4,058
Others	436	672
Properties returned	-	(40,340)
	101,763	111,776

12 GENERAL AND ADMINISTRATIVE

Staff costs	13,767	12,929
Legal and professional charges	2,523	808
Association fees	4,028	122
Depreciation	1,665	2,286
Reversal of provision for doubtful debts	(1,233)	(20,467)
Reversal of accrual	-	(5,536)
Others	5,113	5,960
	25,863	(3,898)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

13 CASH FLOWS FROM OPERATING ACTIVITIES

	Three months ended 31 March	
	2012	**2011**
	AED'000	**AED'000**
	(Unaudited)	(Unaudited)
Profit before tax	9,387	27,060
Adjustment for		
Depreciation	1,752	2,692
Provision for employees' end of service benefits	459	585
Reversal of provision for doubtful debts	(1,233)	(20,467)
Impairment/(reversal) and write-offs	41,656	(3,693)
Finance income	(4,089)	(6,365)
Finance costs	18,262	8,040
Share of results from associates	(107)	24
Loss on fair valuation of investment properties	-	8,459
(Gain)/loss on disposal of property and equipment	(117)	1,365
Operating cash flows before payment of employees' end of service benefits, payment of taxes and changes in working capital	65,970	17,700
Payment of employees' end of service benefits	(251)	(534)
Payment of taxes	(2,728)	-
Increase in non-current trade and other receivables	22,705	30,669
Decrease in non-current retentions payable	(21,221)	(84,615)
Decrease in non-current advances from customers	-	(590,785)
Changes in working capital:		
Property held for development and sale net of project cost accruals	31,066	(31,860)
Trade and other receivables	(24,242)	44,606
Inventories	598	(48)
Due from related parties	(138)	(1,164)
Retentions payable	30,323	74,591
Advances from customers	(115,956)	462,768
Trade and other payables	4,438	83,056
Due to related parties	777	(3,437)
Net cash (used in)/generated by operating activities	**(8,659)**	**947**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (continued)

14 COMMITMENTS

At 31 March 2012, the Group had total commitments of AED 469,156,000 (31 December 2011: AED 489,549,000) with respect to project related contracts issued as of the end of the period/year net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 419,639,000 (31 December 2011: AED 419,639,000).

15 CONTINGENT LIABILITIES

At 31 March 2012, 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 65,358,000 (31 December 2011: AED 63,133,000).

16 COMPARATIVES

Prior year figures have been reclassified to align with the current year classifications. These reclassifications do not have any impact on the results for the period or the Group's net assets. The impact of these reclassifications is summarised in the table below:

	As previously stated AED'000	**Reclassifications AED'000**	**As restated AED'000**
Revenue	84,940	60,905	145,845
Direct costs	(109,618)	(2,158)	(111,776)
Other operating income	57,517	(57,926)	(409)
General and administrative	(16,910)	20,809	3,899
Marketing and selling	-	(341)	(341)
Reversal of provisions	24,160	(24,160)	-
Finance income	3,494	2,871	6,365
Net income statement impact - 31 March 2011	43,583	-	43,583