DEYAAR DEVELOPMENT PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
For the six months ended 30 June 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 30 June 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

14 August 2012

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

INTERIM CONSOLIDATED BALANCE SHEET

	Note	30 June 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		38,488	41,661
Investment property	6	1,222,079	1,219,718
Trade and other receivables		24,259	36,899
Investments in associates		277,507	277,205
Available-for-sale financial assets		19,507	19,507
Due from related parties	8	-	2,394,056
		1,581,840	3,989,046
Current assets			
Property held for development and sale	7	2,054,188	2,146,707
Inventories		4,467	4,875
Due from related parties	8	2,514,486	18,898
Trade and other receivables		299,471	295,073
Cash and bank balances		315,806	339,568
		5,188,418	2,805,121
Total assets		6,770,258	6,794,167
EQUITY			
Share capital		5,778,000	5,778,000
Statutory reserve		172,256	172,256
Exchange translation reserve		(29,042)	(32,282)
Available for sale fair valuation reserve		172	172
Accumulated losses		(2,029,650)	(2,057,670)
Total equity		3,891,736	3,860,476
LIABILITIES			
Non-current liabilities			
Borrowings	9	117,889	118,000
Trade and other payables		-	294,368
Retentions payable		30,427	49,975
Advances from customers		292,705	197,967
Provision for employees' end of service benefits		8,500	7,594
		449,521	667,904
Current liabilities			
Borrowings	9	780,782	797,548
Trade and other payables		923,337	488,550
Retentions payable		96,057	69,541
Advances from customers		613,700	895,735
Due to related parties	8	15,125	14,413
		2,429,001	2,265,787
Total liabilities		2,878,522	2,933,691
Total equity and liabilities		6,770,258	6,794,167

This interim condensed consolidated financial information was approved by the Board of Directors on 14 August 2012 and signed on its behalf by:

....
Abdulla Ali Obaid Al Hamli
Chairman

....
Saeed Al Qatami
Chief Executive Officer

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

INTERIM CONSOLIDATED STATEMENT OF INCOME
For the six months ended 30 June 2012

		Six months ended		Three months ended	
	Note	30 June 2012 AED'000	30 June 2011 AED'000	30 June 2012 AED'000	30 June 2011 AED'000
		(Unaudited)		(Unaudited)	
Revenue	10	293,391	480,151	143,490	334,306
Direct costs	11	(184,679)	(439,872)	(82,916)	(328,096)
Gross profit		**108,712**	**40,279**	**60,574**	**6,210**
Other operating income		3,500	329	2,230	738
Expenses					
General and administrative		(57,823)	(26,303)	(31,960)	(30,201)
Marketing and selling		(487)	(735)	(395)	(394)
Loss on fair valuation of investment property	6	-	(35,818)	-	(27,359)
Operating profit / (loss)		**53,902**	**(22,248)**	**30,449**	**(51,006)**
Finance cost		(31,337)	(23,093)	(13,075)	(15,053)
Finance income		5,672	90,769	1,583	84,404
Finance costs – net		**(25,665)**	**67,676**	**(11,492)**	**69,351**
Share of results from associates		303	(280)	196	(257)
Profit before income tax		**28,540**	**45,148**	**19,153**	**18,088**
Income tax expense		(520)	(728)	(520)	-
Profit for the period		**28,020**	**44,420**	**18,633**	**18,088**
Earnings per share attributable to the equity holders of the company during the period – Basic and diluted		**Fils 0.48**	**Fils 0.77**	**Fils 0.32**	**Fils 0.31**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

	Six months ended		Three months ended	
	30 June 2012 AED'000	**30 June 2011 AED'000**	**30 June 2012 AED'000**	**30 June 2011 AED'000**
	(Unaudited)		(Unaudited)	
Profit for the period	28,020	44,420	18,633	18,088
Other comprehensive income				
Currency translation differences	3,240	(4,979)	(3,154)	(4,640)
Total comprehensive income for the period	**31,260**	**39,441**	**15,479**	**13,448**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital AED'000	Statutory reserve AED'000	Exchange translation reserve AED'000	Available-for-sale fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
At 1 January 2011	5,778,000	155,278	(11,127)	-	(1,513,468)	4,408,683
Comprehensive income						
Profit for the period	-	-	-	-	44,420	44,420
Other comprehensive income						
Translation reserve	-	-	(4,979)	-	-	(4,979)
Balance at 30 June 2011 (unaudited)	**5,778,000**	**155,278**	**(16,106)**	**-**	**(1,469,048)**	**4,448,124**
At 1 January 2012	5,778,000	172,256	(32,282)	172	(2,057,670)	3,860,476
Comprehensive income						
Profit for the period	-	-	-	-	28,020	28,020
Other comprehensive income						
Translation reserve	-	-	3,240	-	-	3,240
Balance at 30 June 2012 (unaudited)	**5,778,000**	**172,256**	**(29,042)**	**172**	**(2,029,650)**	**3,891,736**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2012	**2011**
	Note	**AED'000**	**AED'000**
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Net cash generated by operating activities	12	**17,975**	**16,977**
Cash flows from investing activities			
Payments to acquire property and equipment		(366)	(507)
Proceeds from sale of property and equipment		290	403
Reduction of nvestment in associates		-	10,363
Additions to investment property - net		(2,361)	(30,021)
Term deposits maturing after three months		(970)	204,598
Income from deposits		5,672	5,876
Net cash generated from investing activities		**2,265**	**190,692**
Cash flows from financing activities			
Net movement in borrowings		(1,389)	(60,555)
Finance costs paid		(31,337)	(20,233)
Net cash used in financing activities		**(32,726)**	**(80,788)**
Decrease in cash and cash equivalents		**(12,486)**	**126,881**
Cash and cash equivalents, beginning of the period		171,369	62,447
Exchange gain/(loss) on cash and cash equivalents		3,242	(2,721)
Cash and cash equivalents, end of the period		**162,125**	**186,607**

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

Cash in hand		544	431
Current accounts		137,177	185,940
Fixed deposits		178,085	180,868
Cash and bank balances		**315,806**	**367,239**
Less : Deposits maturing after 3 months		(21,730)	(52,232)
Less : Islamic financing		(131,951)	(128,400)
Cash and cash equivalents		**162,126**	**186,607**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

1 LEGAL STATUS AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Significant accounting policies

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

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

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.

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)	
Six months ended 30 June 2012				
Segment revenues – external	247,992	16,576	28,823	293,391
Segment profit/(losses)	19,630	(5,012)	13,402	28,020
As at 30 June 2012				
Segment assets	6,548,511	46,566	72,660	6,667,737
Six months ended 30 June 2011				
Segment revenues – external	410,872	47,685	21,594	480,151
Segment profit/(losses)	44,100	(8,668)	8,988	44,420
As at 30 June 2011				
Segment assets	7,635,880	97,049	70,275	7,803,204

Geographic information

Revenues earned from properties outside the United Arab Emirates amount to AED Nil (period ended 30 June 2011: AED 14,439,000). Total assets located outside the United Arab Emirates amount to AED 312,757,214 (31 December 2011: AED 315,490,000).

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

6 INVESTMENT PROPERTY

	Land AED'000	Buildings AED'000	Capital work-in-progress AED'000	Total AED'000
Six months ended 30 June 2011				
1 January 2011	282,074	90,512	952,100	1,324,686
Additions	-	2,499	36,969	39,468
Reversal of accruals	-	(608)	-	(608)
Capitalised borrowing costs	-	-	16,632	16,632
Net loss from fair value adjustments on investment property	-	(8,459)	(27,359)	(35,818)
Effect of translation to presentation currency	(1,171)	-	-	(1,171)
30 June 2011 – unaudited	280,903	83,944	978,342	1,343,189
Six months ended 30 June 2012				
1 January 2012	265,232	55,877	898,609	1,219,718
Additions	-	769	823	1,592
Effect of translation to presentation currency	769	-	-	769
30 June 2012 – unaudited	266,001	56,646	899,432	1,222,079

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	-	-	94,462	94,462
Provision for impairment	-	10,974	33,054	44,028
Reversal of impairment	-	(69,295)	(13,677)	(82,972)
Borrowing costs capitalised	-	-	3,057	3,057
Transfers	-	1,100,505	(1,100,505)	-
Sales	-	(345,065)	-	(345,065)
30 June 2011 – unaudited	240,000	949,461	1,186,279	2,375,740
1 January 2012	240,000	669,299	1,237,408	2,146,707
Additions	-	-	74,069	74,069
Reversal of accruals	-	-	(166)	(166)
Provision for impairment	-	(96,321)	-	(96,321)
Reversal of impairment	-	67,091	22,549	89,640
Borrowing costs capitalised	-	-	1,208	1,208
Transfers	-	256,953	(256,953)	-
Sales	-	(160,949)	-	(160,949)
30 June 2012 – unaudited	240,000	736,073	1,078,115	2,054,188

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:

	Six months ended 30 June 2012 AED'000	Six months ended 30 June 2011 AED'000
	(Unaudited)	(Unaudited)
Other operating income/finance income		
A significant shareholder	806	2,035
Compensation to key management personnel		
Salaries and other short term employee benefits	11,084	15,443
Termination and post employment benefits	498	448
Director's fees	435	1,350
	12,017	17,241

(b) Due from related parties comprises:

	30 June 2012 AED'000	31 December 2011 AED'000
	(Unaudited)	(Audited)
Non-current		
Due from other related party	-	2,394,056
Current		
Due from joint ventures	17,222	17,782
Due from other related parties	2,497,264	1,116
	2,514,486	18,898

Cash and cash equivalents include current accounts and fixed deposits of AED 145,857,000 (31 December 2011: AED 166,922,000) deposited with a significant shareholder.

At 30 June 2012, the Group had bank borrowings from a significant shareholder of AED 381,000,000 (31 December 2011: AED 390,000,000).

In 2010, the Company entered into a sale and purchase agreement with a related party to sell properties and rights to purchase plots amounting to AED 2,237,435,000. The salient terms of and conditions of the transaction were as follows:

i. The sale consideration was 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 Company.

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Due from related parties comprises (continued)

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

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

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

(c) Due to related parties comprises:

	30 June 2012 AED'000	**31 December 2011 AED'000**
	(Unaudited)	(Audited)
Current		
Due to a significant shareholder	2,226	2,148
Due to joint ventures	12,899	12,265
	15,125	14,413

9 BORROWINGS

	30 June 2012 AED'000	**31 December 2011 AED'000**
	(Unaudited)	(Audited)
Non-current		
Islamic finance obligations	115,480	118,000
Other Islamic borrowings	2,409	-
	117,889	118,000
Current		
Islamic finance obligations	648,831	646,167
Other Islamic borrowings	131,951	151,381
	780,782	797,548
Total borrowings	898,671	915,548

9 BORROWINGS (continued)

	Islamic finance obligations AED'000	Other Islamic borrowings AED'000	Total AED'000
1 January 2011	878,475	133,780	1,012,255
Additions	-	25,396	25,396
Repayments	(75,650)	(4934)	(80,584)
30 June 2011 – Unaudited	802,825	154,242	957,067
1 January 2012	764,167	151,381	915,548
Additions	19,977	4,005	23,982
Repayments	(19,833)	(21,026)	(40,859)
30 June 2012 – Unaudited	764,311	134,360	898,671

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

The Islamic finance obligations include an amount of AED 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 138,667,000 (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.

10 REVENUE

	Six months ended 30 June		Three months ended 30 June	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
	(Unaudited)		(Unaudited)	
Sale of properties	160,249	397,891	115,816	265,425
Forfeiture income	82,454	81,697	3,750	36,403
Property management	15,219	14,441	7,784	7,267
Contract revenue	13,845	46,697	6,630	20,108
Facilities management	13,379	7,153	4,675	2,649
Leasing	7,949	5,937	4,689	2,004
Others	296	988	146	450
Properties returned	-	(74,653)	-	-
	293,391	480,151	143,490	334,306

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

11 DIRECT COSTS

	Six months ended 30 June		Three months ended 30 June	
	2012	**2011**	**2012**	**2011**
	AED'000	**AED'000**	**AED'000**	**AED'000**
	(Unaudited)		(Unaudited)	
Cost of properties sold	160,949	385,235	114,822	264,107
Contract costs	8,909	46,371	638	18,356
Provision for/ (reversal of) impairment, net	6,681	38,944	(34,976)	42,637
Facilities management	5,592	3,308	1,547	1,542
Leasing	1,743	4,851	516	793
Others	805	1,333	369	661
Properties returned	-	(40,170)	-	-
	184,679	439,872	82,916	328,096

12 CASH FLOWS FROM OPERATING ACTIVITIES

	Six months ended 30 June	
	2012	**2011**
	AED'000	**AED'000**
	(Unaudited)	
Profit before tax	28,540	45,148
Adjustment for		
Depreciation	3,364	4,895
Provision for employees' end of service benefits	1,343	1,437
Provision/(reversal of provision) for doubtful debts	5,968	(20,604)
Impairment and write-offs, net	6,681	38,944
Finance income	(5,672)	(87,444)
Finance costs	31,337	23,093
Share of results from associates	(303)	280
Loss on fair valuation of investment properties	-	35,818
(Gain)/loss on disposal of property and equipment	(116)	1,266
Payment of employees' end of service benefits	(437)	(2,105)
Payment of taxes	(520)	-
Increase in non-current trade and other receivables	6,672	106,152
Decrease in non-current retentions payable	(19,548)	(32,277)
Increase/(decrease) in non-current advances from customers	94,738	(95,482)
Changes in working capital:		
Property held for development and sale net of project cost accruals	85,838	245,735
Trade and other receivables	(4,398)	(45,572)
Inventories	408	(2,965)
Due from related parties	989	(3,742)
Retentions payable	26,516	26,994
Advances from customers	(282,035)	(249,837)
Trade and other payables	37,898	31,140
Due to related parties	712	(3,897)
Net cash generated by operating activities	**17,975**	**16,977**

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

13 COMMITMENTS

At 30 June 2012, the Group had total commitments of AED 451,099,000 (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).

14 CONTINGENT LIABILITIES

At 30 June 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 43,727,000 (31 December 2011: AED 63,133,000).