Damac Properties Dubai Co. PJSC
Dubai - United Arab Emirates

Interim condensed consolidated financial information and review report for the nine month period ended 30 September 2015

Damac Properties Dubai Co. PJSC

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Director's Report

The Directors have the pleasure in submitting their report together with the interim condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the period ended 30 September 2015. Profit for the period is AED 3,672.2 million (2014: AED 2,567.0 million).

Principal activities

The principal activity of the Group is investment in real estate development companies.

The movement in retained earnings is as follows:

	AED'000	AED'000
Balance at 31 December 2014		4,072,517
Effect of change in accounting policy (Note 5)		597,673
Balance at 1 January 2015		4,670,190
Profit for the period		
Revenue	6,767,222	
Cost of sales	(2,657,886)	
Other income	477,494	
Expenses	(914,581)	
Total		3,672,249
Acquisition of non-controlling interest in DRED (Note 3.6)		752,336
Issue of bonus shares (Note 24)		(1,050,000)
Cash dividend (Note 24)		(550,000)
Balance at 30 September 2015		**7,494,775**

On behalf of the Board of Directors

Chairman

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Report on Review of Interim Condensed Consolidated Financial Information

The Board of Directors
Damac Properties Dubai Co. PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Damac Properties Dubai Co. PJSC** (the "Company") and its subsidiaries (together the "Group") as of 30 September 2015 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period from 1 January 2015 to 30 September 2015, and a summary of significant accounting policies and other explanatory information. The Directors of the Group are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' ("IAS 34"). 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 the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim condensed 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 IAS 34.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No.872
Dubai

9 NOV 2015

Anis Sadek (521), Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem Dajani (726), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Condensed consolidated statement of financial position
As at 30 September 2015

	Notes	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
ASSETS			
Property and equipment		**64,446**	59,941
Development properties	**7**	**7,741,538**	8,553,738
Other financial assets	**8**	**753,771**	852,750
Trade and other receivables	**9**	**3,577,986**	2,729,027
Financial investments	**10**	**147,000**	18,372
Cash and bank balances	**11**	**9,866,097**	6,612,368
Total assets		**22,150,838**	18,826,196
EQUITY AND LIABILITIES			
Equity			
Share capital	**12**	**6,050,000**	5,000,000
Statutory reserve	**13**	**356,367**	356,367
Group restructuring reserve	**14**	**(4,912,810)**	(4,912,810)
Retained earnings		**7,494,775**	4,072,517
Equity attributable to shareholders of the Company		**8,988,332**	4,516,074
Non-controlling interests		**-**	752,336
Total equity		**8,988,332**	5,268,410
Liabilities			
Bank borrowings	**15**	**885,448**	276,735
Sukuk certificates	**16**	**2,738,640**	2,367,946
Due to a related party	**17**	**-**	40,345
Provision for employees' end-of-service indemnity		**34,956**	28,957
Trade and other payables	**18**	**9,503,462**	10,843,803
Total liabilities		**13,162,506**	13,557,786
Total equity and liabilities		**22,150,838**	18,826,196

Chairman **Director**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of comprehensive income
For the period ended 30 September 2015

	Notes	3 months ended 30 September		9 months ended 30 September	
		2015	2014	**2015**	2014
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		AED'000	AED'000	**AED'000**	AED'000
Revenue	19	**2,018,233**	2,121,765	**6,767,222**	2,121,765
Cost of sales		**(771,815)**	(872,115)	**(2,657,886)**	(872,115)
Gross profit		**1,246,418**	1,249,650	**4,109,336**	1,249,650
Other operating income		**62,332**	6,108	**384,793**	6,108
General, administrative and selling expenses		**(247,695)**	(382,621)	**(676,800)**	(382,621)
Brokerage and commission		**(28,994)**	(43,091)	**(117,655)**	(43,091)
Depreciation		**(3,255)**	(3,709)	**(10,359)**	(3,709)
Gain realised on recognition of investment in an associate		-	-	-	1,281,963
Share of profit in an associate		-	-	-	457,992
Profit for the period from discontinued operations		-	-	-	2,919
Operating profit		**1,028,806**	826,337	**3,689,315**	2,569,211
Other income		**9,238**	10,776	**27,477**	10,776
Finance income		**23,905**	18,017	**65,224**	18,017
Finance costs		**(40,008)**	(31,026)	**(109,767)**	(31,026)
Profit for the period		**1,021,941**	824,104	**3,672,249**	2,566,978
Attributable to:					
Shareholders of the Company		**1,021,941**	706,422	**3,672,249**	2,449,296
Non-controlling interests		-	117,682	-	117,682
		1,021,941	824,104	**3,672,249**	2,566,978

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of comprehensive income
For the period ended 30 September 2015 (continued)

	Notes	3 months ended 30 September		9 months ended 30 September	
		2015	2014	**2015**	2014
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		AED'000	AED'000	**AED'000**	AED'000
Profit for the period		**1,021,941**	824,104	**3,672,249**	2,566,978
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
- Unrealised gain on fair value of available-for-sale financial asset		-	-	-	517,563
- Gain realised on recognition of investment in an associate		-	-	-	(1,281,963)
- Revaluation reserve on financial investments recycled on disposal		-	(315)	-	(315)
Other comprehensive loss		-	(315)	-	(764,715)
Total comprehensive income for the period		**1,021,941**	823,789	**3,672,249**	1,802,263
Earnings per share					
Basic and diluted (AED)	**23**	**0.17**	0.14	**0.61**	0.42

Condensed consolidated statement of changes in equity
For the period ended 30 September 2015

	Share capital (Unaudited) AED'000	Statutory reserve (Unaudited) AED'000	Group restructuring reserve (Unaudited) AED'000	Investment revaluation reserve (Unaudited) AED'000	Retained earnings (Unaudited) AED'000	Equity attributable to shareholders of the Company (Unaudited) AED'000	Non-controlling interests (Unaudited) AED'000	Total (Unaudited) AED'000
Balance at 1 January 2014 (Audited)	3,000,000	305,326	-	764,400	98,237	**4,167,963**	-	**4,167,963**
Issue of new shares	2,000,000	-	-	-	-	**2,000,000**	-	**2,000,000**
Acquisition of controlling interest in DRED	-	-	(4,912,810)	315	3,142,020	**(1,770,475)**	588,867	**(1,181,608)**
Total comprehensive income for the period	-	-	-	(764,715)	2,449,296	**1,684,581**	117,682	**1,802,263**
Dividend (Note 24)	-	-	-	-	(2,351,446)	**(2,351,446)**	(85,068)	**(2,436,514)**
Balance at 30 September 2014	**5,000,000**	**305,326**	**(4,912,810)**	**-**	**3,338,107**	**3,730,623**	**621,481**	**4,352,104**
Balance at 31 December 2014 (Audited)	5,000,000	356,367	(4,912,810)	-	4,072,517	**4,516,074**	752,336	**5,268,410**
Effect of change in accounting policy (Note 5)	-	-	-	-	597,673	**597,673**	-	**597,673**
Balance at 1 January 2015	5,000,000	356,367	(4,912,810)	-	4,670,190	**5,113,747**	752,336	**5,866,083**
Acquisition of non-controlling interest in DRED (Note 3.6)	-	-	-	-	752,336	**752,336**	(752,336)	-
Total comprehensive income for the period	-	-	-	-	3,672,249	**3,672,249**	-	**3,672,249**
Issue of bonus shares (Note 24)	1,050,000	-	-	-	(1,050,000)	-	-	-
Dividend (Note 24)	-	-	-	-	(550,000)	**(550,000)**	-	**(550,000)**
Balance at 30 September 2015	**6,050,000**	**356,367**	**(4,912,810)**	**-**	**7,494,775**	**8,988,332**	**-**	**8,988,332**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of cash flows
For the period ended 30 September 2015

	1 January to 30 September 2015 (9 months) (Unaudited) AED'000	1 January to 30 September 2014 (9 months) (Unaudited) AED'000
Cash flows from operating activities		
Profit for the period	**3,672,249**	2,566,978
Adjustments for:		
Depreciation on property and equipment	**10,359**	3,709
Provision for employees' end-of-service indemnity	**8,782**	2,610
Amortisation of issue costs on Sukuk Certificates	**8,707**	903
Loss on retirement of property and equipment	**592**	-
Gain on disposal of available-for-sale financial assets	**-**	(1,315)
Gain realised on recognition of investment in an associate	**-**	(1,281,963)
Share of income in an associate	**-**	(457,992)
Profit on disposal of gypsum business	**-**	(3,248)
Impairment on trade receivables	**9,671**	-
Finance costs	**109,767**	31,026
Finance income	**(65,224)**	(18,017)
Operating cash flows before changes in operating assets and liabilities	**3,754,903**	842,691
Increase in trade and other receivables	**(842,343)**	(627,134)
Decrease in inventories	**-**	225
Decrease/(increase) in development properties	**214,804**	(1,543,717)
(Decrease)/increase in due to a related party	**(40,345)**	146,559
(Decrease)/increase in trade and other payables	**(743,718)**	1,715,356
Cash generated from operations	**2,343,301**	533,980
Finance costs paid	**(76,565)**	(9,637)
Interest received	**64,181**	17,158
Employees' end-of-service indemnity paid	**(2,783)**	(239)
Net cash generated from operating activities	**2,328,134**	541,262

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Condensed consolidated statement of cash flows
For the period ended 30 September 2015 (continued)

	1 January to 30 September 2015 (9 months) (Unaudited) AED'000	1 January to 30 September 2014 (9 months) (Unaudited) AED'000
Cash flows from investing activities		
Purchases of property and equipment	**(15,456)**	(5,767)
Acquisition of financial investments (Note 10)	**(128,628)**	(3,490)
Disposal of financial investments	**-**	175,195
Decrease/(increase) in other financial assets	**98,979**	(330,829)
Increase in deposits with an original maturity of greater than three months	**(20,232)**	(1,092,945)
Net cash outflow on disposal of gypsum operations	**-**	(814)
Net cash inflow on acquisition of subsidiaries	**-**	6,115,568
Net cash (used in)/generated from investing activities	**(65,337)**	4,856,918
Cash flows from financing activities		
Drawdown/(repayment) of bank borrowings – net (Note 15)	**608,713**	(5,307)
Net proceeds from issue of Sukuk Certificates (Note 16)	**361,987**	-
Dividend paid (Note 24)	**-**	(595,403)
Net cash generated from financing activity	**970,700**	(600,710)
Net increase in cash and cash equivalents	**3,233,497**	4,797,470
Cash and cash equivalents at the beginning of the period	**5,353,155**	689
Cash and cash equivalents at the end of the period (Note 11)	**8,586,652**	4,798,159
Non-cash transactions:		
Dividend (Note 24)	**-**	1,841,111

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Notes to the condensed consolidated financial statements For the period ended 30 September 2015

1. General information

Damac Properties Dubai Co. PJSC (the "Company" or the "Parent") was incorporated in Dubai on 20 June 1976 as a Public Stock Company and operates in the United Arab Emirates under a trade license issued in Dubai. The address of the Company's registered office is P.O. Box 12265, Dubai, United Arab Emirates.

The majority shareholder is Mr. Hussain Sajwani (the "Chairman").

The Parent and its subsidiaries (collectively the "Group") are involved in the development of properties in the Middle East.

During the period, the eligible holders of Global Depository Receipts (the "GDRs") representing 14.3% of the ordinary shares of DAMAC Real Estate Development Limited, DIFC ("DRED") were made an offer by the Company to exchange their GDRs for ordinary shares of the Company at a defined exchange rate which was accepted by all eligible holders. The offer closed on 9 January 2015 and the shares issued by the Company were listed on the Dubai Financial Market on 12 January 2015.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 *New and revised IFRSs applied with no material effect on the condensed consolidated financial statements*

The following revised IFRS, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these condensed consolidated financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current period and prior year but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

2.2 *New and revised IFRSs in issue but not yet effective and not early adopted*

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7 and IAS 19.	1 July 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of *Interests in Joint Operations.*	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 9 may have a significant impact on amounts reported and disclosures made in the Group's condensed consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

2.3 New IFRS in issue but not yet effective that has been early adopted by the Group

IFRS 15 *Revenue from contracts with customers* was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2015. Refer Note 3.4 and Note 5 for further details.

3. Summary of significant accounting policies

3.1 Basis of preparation

The condensed consolidated financial statements of the Group are prepared under the historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the UAE Commercial Law.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2014, except for the early adoption of IFRS 15 "*Revenue from contracts with customers*" (refer Note 3.4).

These condensed consolidated financial statements do not include all the information and disclosure required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2014. In addition, results for the period from 1 January 2015 to 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

The accounting policies disclosed in the annual audited consolidated financial statements for the year ended 31 December 2014 are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

Notes to the condensed consolidated financial statements
For the period ended 30 September 2015 (continued)

3. Summary of significant accounting policies (continued)

3.2 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is the purchase consideration together with any incidental costs of acquisition.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	Years
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

3.3 Development properties

Properties acquired, or being developed with the intention of sale are classified as development properties. These are stated at the lower of cost and net realisable value.

Cost principally includes the cost of the land and construction cost and all other costs which are necessary to get the properties ready for sale. Net realisable value represents the estimated selling value, based on sales relevant in the year, less costs to be incurred in selling the properties.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the condensed consolidated financial statements
For the period ended 30 September 2015 (continued)

3. Summary of significant accounting policies (continued)

3.4 Revenue recognition

IFRS 15 *Revenue from contracts with customers* outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5 Recognise revenue as and when the entity satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance obligation completed to date.

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the interim condensed consolidated financial information to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

3. Summary of significant accounting policies (continued)

3.5 Basis of consolidation

On 30 June 2014, the Company acquired 85.7% of ownership interest in DRED through the Chairman transferring his ownership interest held through five holding companies listed below:

Name of the entity	Place of incorporation and operations	Principal activities	Beneficial interest and effective control
Najah Company Limited	British Virgin Islands	Holding company	100%
Al Khazna Company Limited	British Virgin Islands	Holding company	100%
Imtiaz Holding Limited	British Virgin Islands	Holding company	100%
Sahira Company Limited	British Virgin Islands	Holding company	100%
Al Firdous Holding Limited	British Virgin Islands	Holding company	100%

From 30 June 2014, the Group consolidated the five holding entities noted above and the 75 entities (excluding branches) (2014: 76 entities) which together constitute the DRED Group.

3.6 Acquisition of non-controlling interest in DRED

As explained in Note 1, an offer was made to eligible holders of GDRs representing ordinary shares in DRED to exchange their GDRs for ordinary shares in the Company at a defined exchange rate. The Chairman transferred shares in the Company to the GDR holders. As the Company's interest in DRED became 100% the resulting change in non-controlling interest was recorded in equity. The Company's shares were listed on the Dubai Financial Market on 12 January 2015.

3.7 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed consolidated financial statements 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by 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, except for financial investments.

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

4. Critical accounting judgements and key sources of estimation of uncertainty (continued)

Financial investments

Financial investments represents the Group's 20% equity interest in a related entity (note 10). Management has assessed the impact of IAS 28 *Investments in Associates and Joint Ventures* and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

5. Impact of IFRS 15 adoption

The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the period ended 30 June 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening consolidated statement of financial position are detailed below:

	31 December 2014 AED'000	Adjustments/ reclassification AED'000	1 January 2015 AED'000
Assets			
Development properties	8,553,738	(597,396)	7,956,342
Trade and other receivables	2,729,027	15,244	2,744,271
Liabilities			
Trade and other payables	10,843,803	(1,179,825)	9,663,978
Shareholders' Equity			
Retained earnings	4,072,517	597,673	4,670,190

6. Segment analysis

Information reported to the Board for the purpose of the resource allocation and assessment of performance is primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations. The Group currently comprises a single reportable operating segment, being property development.

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

6. Segment analysis (continued)

Geographic information for the Group is split between operations in the UAE "Domestic" and operations in other jurisdictions "International".

	3 months ended 30 September		9 months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	AED'000	AED'000	**AED'000**	AED'000
Revenue				
Domestic	**2,012,427**	2,121,765	**6,231,242**	2,121,765
International	**5,806**	-	**535,980**	-
	2,018,233	2,121,765	**6,767,222**	2,121,765

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Development properties		
Domestic	**6,046,063**	6,597,958
International	**1,695,475**	1,955,780
	7,741,538	8,553,738

7. Development properties

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Balance at the beginning of the period/year	**8,553,738**	-
Recognition on acquisition of controlling interest in DRED	**-**	6,928,845
Additions	**2,440,552**	2,993,138
Effect of change in policy (Note 5)	**(597,396)**	-
Transferred to cost of sales	**(2,655,356)**	(1,508,979)
Transferred to a related party (Note 17)	**-**	(14,882)
Impairment reversal	**-**	155,616
Balance at the end of the period/year	**7,741,538**	8,553,738

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

7. Development properties (continued)

Assets held as development properties

The development properties balance includes land plots for future development, properties under development and completed units held in inventory. The balances are split into these categories as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Land held for future development	**461,273**	514,744
Properties under development	**6,507,804**	6,894,555
Completed properties	**772,461**	1,144,439
	7,741,538	8,553,738

8. Other financial assets

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Escrow retentions	**730,987**	839,859
Margin deposits	**16,164**	10,202
Other	**6,620**	2,689
	753,771	852,750

In accordance with applicable laws, the Group holds funds under escrow in Real Estate Regulatory Authority ("RERA") authorised bank accounts. These funds must be held in these escrow accounts for a fixed period of one year after completion of the relevant development properties, at which point they are released to the Group. These funds carry interest at commercial rates.

At 30 September 2015, margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

9. Trade and other receivables

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Trade receivables	**2,959,831**	2,254,194
Provision for impairment on trade receivables	**(212,325)**	(203,153)
	2,747,506	2,051,041
Advances and deposits	**797,138**	629,476
Other receivables and prepayments	**33,342**	48,510
	3,577,986	2,729,027

Trade receivables represent amounts outstanding that are yet to be collected at the reporting date. Customers are allowed 30 days from each invoice date to settle outstanding dues.

10. Financial investments

During the period, the Group increased its investment in Damac International Limited, a related entity, from AED 18.4 million to AED 147.0 million which represents a 20% equity interest in the related entity.

11. Cash and cash equivalents

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Cash on hand	**9,443**	566
Cash held in escrow	**7,849,595**	5,190,196
Bank balances	**366,194**	32,908
Fixed deposits	**1,640,865**	1,388,698
Cash and bank balances	**9,866,097**	6,612,368
Less: Fixed deposits with an original maturity of greater than three months	**(1,279,445)**	(1,259,213)
Cash and cash equivalents	**8,586,652**	5,353,155

Cash held in escrow represents cash received from customers which is held with banks authorised by the Real Estate Regulatory Authority ("RERA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence is considered as cash and cash equivalents.

Notes to the condensed consolidated financial statements
For the period ended 30 September 2015 (continued)

12. Share capital

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Authorised, issued and fully paid shares of AED 1 each	**6,050,000**	5,000,000

During the period, the Company issued bonus shares consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 6.05 billion (Note 24).

13. Statutory reserve

As required by the U.A.E. Company Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital.

14. Group restructuring reserve

The group restructuring reserve arose on 30 June 2014. This reserve is not distributable.

15. Bank borrowings

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Bank loans	**785,649**	146,900
Overdrafts	**99,799**	129,835
	885,448	276,735

Banks and financial institutions

The Group has borrowings under various loan arrangements with a number of banks and financial institutions. These institutions provide the Group with term loans and overdraft facilities.

Notes to the condensed consolidated financial statements
For the period ended 30 September 2015 (continued)

15. Bank borrowings (continued)

The repayment profile of the above bank borrowings is as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
On demand within one year	**465,413**	203,285
In the second year	**403,435**	73,450
In the third to fifth year inclusive	**16,600**	-
	885,448	276,735
Less: Amount due for settlement within 12 months	**(465,413)**	(203,285)
Amount due for settlement after 12 months	**420,035**	73,450

During the period, the Group has the following unsecured interest-bearing loans and borrowings:

- AED 147 million (US$ 40 million) term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, fully repayable by 2016. During the period, AED 36.8 million (US$ 10 million) was repaid.
- AED 275.4 million (US$ 75 million) revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2016.
- AED 50 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.
- AED 350 million Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017.

16. Sukuk certificates

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Proceeds from the issue of Sukuk Certificates	**2,756,250**	2,388,750
Gross issue costs	**(28,666)**	(23,153)
Less: Amortised upto period/year end	**11,056**	2,349
Unamortised issue costs	**(17,610)**	(20,804)
Carrying amount	**2,738,640**	2,367,946

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

16. Sukuk certificates (continued)

- On 9 April 2014, the DRED Group issued US$ 650 million Sukuk Trust Certificates (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee with DRED as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the ''Certificateholders'') the right to receive certain payments arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the ''Trust'') over certain Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificates carry interest at 4.97% per annum and are secured by assigned trust assets.

- On 21 September 2015, the Group issued US$ 100 million Sukuk Trust Certificates maturing in 2017. Alpha Star Holding II Limited is the Issuer and Trustee with DRED as Guarantor. The Sukuk was fully subscribed by a UAE financial institution. The Certificates represent the right to receive certain payments arising from an undivided ownership interest in the Trust Assets declared by the Trustee pursuant to the Declaration of Trust.

  The Trust Certificates are secured by the assigned trust assets and carry interest at three months LIBOR plus 3.25% per annum.

17. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges. Pricing policies and terms of all transactions are approved by the management.

At the reporting date, balances with related parties were as follows:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Due to a related party		
Due to an entity under the Chairman's control	-	40,345

Notes to the condensed consolidated financial statements
For the period ended 30 September 2015 (continued)

17. Related party transactions (continued)

Nature of significant related party transactions and amounts involved are as follows:

	1 January to 30 September 2015 (9 months) (Unaudited) AED'000	1 January to 30 September 2014 (9 months) (Unaudited) AED'000
Transfer of development properties (Note 7)	-	(14,882)
Construction work executed	15,176	-

During the period, the Group utilised construction services worth AED 15.2 million from Draieh Contracting Company WLL, an entity under the control of the Chairman.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	1 January to 30 September 2015 (9 months) (Unaudited) AED'000	1 January to 30 September 2014 (9 months) (Unaudited) AED'000
Short term employee benefits	**13,774**	2,302
Termination benefits - EOSB	**364**	87
	14,138	2,389

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

18. Trade and other payables

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Advances from customers	**5,586,487**	7,295,131
Accruals	**822,968**	612,530
Other payables	**752,082**	794,386
Retentions payable	**559,061**	416,699
Dividend payable (Note 24)	**550,000**	-
Deferred consideration for land payments	**1,232,864**	1,725,057
	9,503,462	10,843,803

Retentions comprise amounts due to contractors which are held for one year after the completion of a project until the defect liability period has passed, and are typically between 5% and 15% of work done.

19. Revenue

	3 months ended 30 September		9 months ended 30 September	
	2015 (Unaudited) AED'000	2014 (Unaudited) AED'000	**2015 (Unaudited) AED'000**	2014 (Unaudited) AED'000
Constructed apartments	**1,526,621**	2,121,765	**4,182,195**	2,121,765
Sale of land	**491,612**	-	**2,585,027**	-
	2,018,233	2,121,765	**6,767,222**	2,121,765

20. Contingent liabilities

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Bank guarantees	**1,088,746**	881,341

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at the above dates.

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

21. Commitments

Commitments for the acquisition of services for the development and construction of assets classified under developments in progress:

	30 September 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Contracted for	**7,472,249**	6,070,486

22. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the condensed consolidated financial statements For the period ended 30 September 2015 (continued)

22. Fair value of financial instruments (continued)

As at the period end date, the carrying value of the financial assets and financial liabilities is approximate to their fair values. The entire portfolio of financial investments is classified as Level 3.

23. Earnings per share

The basic and diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period. In accordance with IAS 33 *Earnings per share*, the impact of bonus shares issued (Note 24) has been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. There were no instruments or any other items which could cause an anti-dilutive effect on the earnings per share calculation.

	3 months ended 30 September		9 months ended 30 September	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period (AED'000)	**1,021,941**	824,104	**3,672,249**	2,566,978
Number of ordinary shares ('000)	**6,050,000**	6,050,000	**6,050,000**	6,050,000
Earnings per ordinary share – basic and diluted (AED)	**0.17**	0.14	**0.61**	0.42

24. Dividend

On 22 March 2015, the Company held its annual general meeting which, among other things, approved a share dividend equal to AED 0.10 per share amounting to AED 500 million. The bonus shares were issued on 1 April 2015 consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 5.5 billion.

On 15 September 2015, the Company held its ordinary general meeting which, among other things, approved an interim cash dividend of AED 0.10 per share amounting to AED 550 million and a share dividend of AED 0.10 per share amounting to AED 550 million. The bonus shares were issued on 29 September 2015 consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 6.05 billion. The cash dividend was paid on 5 October 2015.

An interim dividend of AED 0.49 per share amounting to AED 2.4 billion was declared for the period ended 30 June 2014. Out of this, AED 1.8 billion was offset against amounts owed by the Chairman and the balance was paid on 12 August 2014 to the Chairman and the GDR holders in relative proportion of their shareholding.

25. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information for the period ended 30 September 2015 was approved by the Board and authorised for issue on 9 November 2015.