Damac Properties Dubai Co. PJSC
Dubai – United Arab Emirates

Review report and
interim financial information
for the nine month period ended
30 September 2016

Damac Properties Dubai Co. PJSC

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 at 30 September 2016 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No.872
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06 NOV 2016

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 2016

	Notes	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
ASSETS			
Property and equipment		**60,658**	63,875
Development properties	**6**	**9,793,861**	9,143,770
Other financial assets	**7**	**970,500**	788,655
Trade and other receivables	**8**	**4,445,550**	3,803,432
Financial investment	**9**	**170,562**	147,000
Cash and bank balances	**10**	**8,903,259**	9,500,765
Total assets		**24,344,390**	23,447,497
EQUITY AND LIABILITIES			
Equity			
Share capital	**11**	**6,050,000**	6,050,000
Statutory reserve		**533,643**	533,643
Group restructuring reserve		**(4,912,810)**	(4,912,810)
Retained earnings		**10,091,720**	8,160,080
Total equity		**11,762,553**	9,830,913
Liabilities			
Bank borrowings	**12**	**1,130,188**	1,024,905
Sukuk certificates	**13**	**2,650,330**	2,739,716
Provision for employees' end-of-service indemnity		**37,791**	33,270
Advances from customers		**4,295,906**	5,533,221
Trade and other payables	**14**	**4,467,622**	4,285,472
Total liabilities		**12,581,837**	13,616,584
Total equity and liabilities		**24,344,390**	23,447,497

Chairman **Director**

The accompanying notes form an integral part of these condensed consolidated financial statements

Condensed consolidated statement of comprehensive income
For the nine month period ended 30 September 2016

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2016 (Unaudited) AED'000	2015 (Unaudited) AED'000	**2016 (Unaudited) AED'000**	2015 (Unaudited) AED'000
Revenue	**16**	**1,748,382**	2,018,233	**5,121,134**	6,767,222
Cost of sales		**(788,567)**	(771,815)	**(2,184,337)**	(2,657,886)
Gross profit		**959,815**	1,246,418	**2,936,797**	4,109,336
Other operating income	**17**	**149,020**	62,332	**565,991**	384,793
General, administrative and selling expenses		**(195,019)**	(276,689)	**(643,200)**	(794,455)
Depreciation		**(3,847)**	(3,255)	**(11,237)**	(10,359)
Operating profit		**909,969**	1,028,806	**2,848,351**	3,689,315
Other income		**10,686**	9,238	**39,153**	27,477
Finance income		**29,108**	23,905	**86,058**	65,224
Finance costs		**(47,802)**	(40,008)	**(134,422)**	(109,767)
Profit for the period		**901,961**	1,021,941	**2,839,140**	3,672,249
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		**901,961**	1,021,941	**2,839,140**	3,672,249
Earnings per share					
Basic and diluted (AED)	**20**	**0.15**	0.17	**0.47**	0.61

The accompanying notes form an integral part of these condensed consolidated financial statements

Condensed consolidated statement of changes in equity
For the nine month period ended 30 September 2016

	Share capital AED'000	Statutory reserve AED'000	Group restructuring reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Company AED'000	Non-controlling interests AED'000	Total AED'000
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 2.3)	-	-	-	597,673	597,673	-	597,673
Balance at 1 January 2015 (Audited)	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	-	-	-	752,336	752,336	(752,336)	-
Total comprehensive income for the period (Unaudited)	-	-	-	3,672,249	3,672,249	-	3,672,249
Issue of bonus shares (Note 21)	1,050,000	-	-	(1,050,000)	-	-	-
Dividend (Note 21)	-	-	-	(550,000)	(550,000)	-	(550,000)
Balance at 30 September 2015 (Unaudited)	**6,050,000**	**356,367**	**(4,912,810)**	**7,494,775**	**8,988,332**	**-**	**8,988,332**
Balance at 1 January 2016 (Audited)	6,050,000	533,643	(4,912,810)	8,160,080	9,830,913	-	9,830,913
Total comprehensive income for the period (Unaudited)	-	-	-	2,839,140	2,839,140	-	2,839,140
Dividend (Note 21)	-	-	-	(907,500)	(907,500)	-	(907,500)
Balance at 30 September 2016 (Unaudited)	**6,050,000**	**533,643**	**(4,912,810)**	**10,091,720**	**11,762,553**	**-**	**11,762,553**

The accompanying notes form an integral part of these condensed consolidated financial statements

Condensed consolidated statement of cash flows
For the nine month period ended 30 September 2016

	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000
Cash flows from operating activities		
Profit for the period	**2,839,140**	3,672,249
Adjustments for:		
Depreciation on property and equipment	**11,237**	10,359
Provision for employees' end-of-service indemnity	**4,521**	5,999
Amortisation of issue costs on Sukuk Certificates	**2,391**	8,707
(Gain)/loss on retirement of property and equipment	**(16)**	592
Finance costs	**134,422**	109,767
Finance income	**(86,058)**	(65,224)
(Reversal of)/provision for impairment on trade receivables	**(28,306)**	9,671
Operating cash flows before changes in operating assets and liabilities	**2,877,331**	3,752,120
Increase in trade and other receivables	**(602,125)**	(842,343)
(Increase)/decrease in development properties	**(650,091)**	214,804
Decrease in due to a related party	**-**	(40,345)
Decrease in advances from customers	**(1,237,315)**	(528,819)
Increase/(decrease) in trade and other payables	**149,174**	(214,899)
Net cash generated from operating activities	**536,974**	2,340,518
Cash flows from investing activities		
Purchases of property and equipment	**(8,004)**	(15,456)
Acquisition of financial investment (Note 9)	**(23,562)**	(128,628)
(Increase)/decrease in other financial assets	**(181,845)**	98,979
Decrease/(increase) in deposits with an original maturity of greater than three months	**209,577**	(20,232)
Interest received	**74,371**	64,181
Net cash generated from/(used in) investing activities	**70,537**	(1,156)

Condensed consolidated statement of cash flows
For the nine month period ended 30 September 2016 (continued)

	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000
Cash flows from financing activities		
Drawdown of bank borrowings – net	**105,283**	608,713
(Repayment)/proceeds from issue of Sukuk Certificates	**(91,777)**	361,987
Dividend paid (Note 21)	**(907,500)**	-
Finance costs paid	**(101,446)**	(76,565)
Net cash (used in)/generated from financing activities	**(995,440)**	894,135
Net (decrease)/increase in cash and cash equivalents	**(387,929)**	3,233,497
Cash and cash equivalents at the beginning of the period	**8,597,818**	5,353,155
Cash and cash equivalents at the end of the period (Note 10)	**8,209,889**	8,586,652

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016

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.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, 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 and prior periods but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to disclosure initiative.
- Amendments to IFRS 11 *Joint Arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

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

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

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 7 *Statement of Cash Flows* clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
Amendments to IAS 12 *Income Taxes* relating to recognition of deferred tax assets for unrealised losses	1 January 2017
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. 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
Amendments to IFRS 2 *Share-based Payment* to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	1 January 2018
IFRS 16 *Leases* provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (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 and IFRS 16, 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 and IFRS 16 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 and leases. 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 and revised IFRSs in issue but not yet effective that has been early adopted

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 reviewed the impact of IFRS 15 on its revenue from operations and had elected to early adopt it with effect from 1 January 2015. Refer note 3.4.

The Group had opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the year ended 31 December 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 consolidated statement of financial position as at 1 January 2015 are detailed below:

	31 December 2014 (Audited) AED'000	Adjustments/ reclassification (Audited) AED'000	1 January 2015 (Audited) 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			
Advances from customers	7,295,131	(1,179,825)	6,115,306
Equity			
Retained earnings	4,072,517	597,673	4,670,190

3. Summary of significant accounting policies

As required by the Securities and Commodities Authority of U.A.E. ("SCA") Notification No.2624/2008 dated 12 October 2008, certain required accounting policies have been disclosed in the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

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 U.A.E. 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 2015.

These condensed consolidated financial statements of the Group do not include all the information and disclosures 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 2015. In addition, results for the period from 1 January 2016 to 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 recognised 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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 condensed consolidated statement of comprehensive income.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

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 period, 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.

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 Group 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 Group 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.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

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 condensed consolidated financial statements 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.

3.5 Basis of consolidation

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries listed below (together the "Group"):

Entity	Country of incorporation	Principal activities	Legal and economic interest
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%
Damac Real Estate Development Limited, DIFC ("DRED")	United Arab Emirates	Holding company	100%

3.6 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 2015.

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 Group's consolidated financial statements for the year ended 31 December 2015.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

5. 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.

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2016 (Unaudited) AED'000	2015 (Unaudited) AED'000	**2016 (Unaudited) AED'000**	2015 (Unaudited) AED'000
Revenue				
Domestic	**1,729,104**	2,012,427	**4,743,057**	6,231,242
International	**19,278**	5,806	**378,077**	535,980
	1,748,382	2,018,233	**5,121,134**	6,767,222

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Development properties		
Domestic	**8,074,736**	7,394,667
International	**1,719,125**	1,749,103
	9,793,861	9,143,770

6. Development properties

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Balance at 1 January	**9,143,770**	7,956,342
Additions during the period/year	**2,830,519**	4,653,136
Transfer to cost of sales during the period/year	**(2,180,428)**	(3,465,708)
Balance at the end of the period/year	**9,793,861**	9,143,770

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

6. Development properties (continued)

Assets held as development properties

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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Land held for future development	**1,261,203**	1,725,497
Properties under development	**7,618,600**	6,788,416
Completed properties	**914,058**	629,857
	9,793,861	9,143,770

No borrowing costs have been capitalised to development properties.

7. Other financial assets

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Escrow retention accounts	**956,449**	773,269
Margin deposits	**11,436**	8,560
Other	**2,615**	6,826
	970,500	788,655

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 2016, margin deposits are held by banks under lien against bank guarantees issued and carry interest at commercial rates.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

8. Trade and other receivables

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Trade receivables	**3,637,619**	3,150,882
Provision for impairment on trade receivables	**(170,580)**	(198,886)
	3,467,039	2,951,996
Advances and deposits	**926,523**	800,967
Other receivables and prepayments	**51,988**	50,469
	4,445,550	3,803,432

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.

9. Financial investment

During the period, the Group increased its investment in Damac International Limited (related entity) from AED 147 million to AED 170.6 million (2015: from AED 18.4 million to AED 147 million) which represents a 20% equity interest in the related entity.

10. Cash and bank balances

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Cash on hand	**6,969**	14,397
Cash held in escrow	**7,515,558**	8,446,029
Bank balances	**231,189**	82,083
Fixed deposits	**1,149,543**	958,256
Cash and bank balances	**8,903,259**	9,500,765
Less: Fixed deposits with an original maturity of greater than three months	**(693,370)**	(902,947)
Cash and cash equivalents	**8,209,889**	8,597,818

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 nine month period ended 30 September 2016 (continued)

11. Share capital

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Authorised, issued and fully paid shares of AED 1 each	**6,050,000**	6,050,000

12. Bank borrowings

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Bank loans	**1,074,664**	740,589
Overdrafts	**55,524**	284,316
	1,130,188	1,024,905

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.

The Group has the following unsecured interest-bearing loans and borrowings:

- AED 147 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, fully repayable by 2016. Out of this AED 110 million was repaid as at 30 September 2016.
- AED 433 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2017.
- 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. Out of this AED 182 million was repaid as at 30 September 2016.
- AED 150 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2017.
- AED 45 million revolving term loan facility with a commercial bank bearing interest at 6 months EIBOR plus 4% per annum, repayable by 2017.
- AED 50 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. Out of this, AED 17 million was repaid as at 30 September 2016.
- AED 183 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.
- AED 25 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 4% per annum, repayable by 2018.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

12. Bank borrowings (continued)

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

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
On demand or within one year	**463,950**	649,955
In the second and third year	**666,238**	374,950
	1,130,188	1,024,905

13. Sukuk certificates

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Sukuk certificates	**2,664,473**	2,756,250
Unamortised issue costs	**(14,143)**	(16,534)
Carrying amount	**2,650,330**	2,739,716

- On 9 April 2014, the 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 U.A.E. 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. During the period the Group cancelled Sukuk amounting to US$ 25 million (AED 92 million) with the remaining outstanding amount of US$ 75 million that will mature in March 2017.

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

14. Trade and other payables

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Accruals	**1,098,817**	875,212
Other payables	**931,180**	680,459
Retentions payable	**754,460**	612,170
Deferred consideration payable for land acquisition	**1,683,165**	2,117,631
	4,467,622	4,285,472

15. 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 companies and 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 which are substantially the same terms as those prevailing at the same time for comparable transactions with third parties. Pricing policies and terms of all transactions are approved by the management.

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

	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000
Construction works executed *(i)*	**(73,818)**	(15,176)
Support services fees *(ii)*	**6,581**	-
Financial investment *(iii)*	**(23,562)**	(128,628)

(i) Construction works executed

During the period, the Group utilised construction services worth AED 73.8 million (30 September 2015: AED 15.2 million) from Draieh Contracting LLC, an entity under the control of the Chairman.

(ii) Support services fees

During the period, the Group received AED 6.6 million towards support services rendered to Damac International Limited and DICO Investment Co. LLC, both related entities under the control of the Chairman.

(iii) Financial investment

During the period, the Group increased its investment in Damac International Limited by AED 23.6 million (30 September 2015: AED 128.6 million), a related entity under the control of the Chairman (Note 9).

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

15. Related party transactions (continued)

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*.

	30 September 2016 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000
Short term employee benefits	**10,446**	13,774
Termination benefits – EOSB	**827**	364
	11,273	14,138

16. Revenue

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2016 (Unaudited) AED'000	2015 (Unaudited) AED'000	**2016 (Unaudited) AED'000**	2015 (Unaudited) AED'000
Property development	**1,039,576**	1,526,621	**3,807,342**	4,182,195
Sale of land	**708,806**	491,612	**1,313,792**	2,585,027
	1,748,382	2,018,233	**5,121,134**	6,767,222

17. Other operating income

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2016 (Unaudited) AED'000	2015 (Unaudited) AED'000	**2016 (Unaudited) AED'000**	2015 (Unaudited) AED'000
Income from cancellation of units	**148,631**	54,476	**560,107**	357,477
Penalties from overdue customers	**-**	7,589	**4,934**	26,436
Unit registration and transfer fees	**389**	267	**950**	880
	149,020	62,332	**565,991**	384,793

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

18. Contingent liabilities

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Bank guarantees	**1,215,546**	1,062,709

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 30 September 2016.

19. Commitments

Commitments for the acquisition of services for the development and construction of assets classified under development properties:

	30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Contracted for	**7,004,560**	7,415,223

20. Earnings per share

The basic and diluted earnings per share is calculated by dividing the profit for the year 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 21) 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 a dilutive effect on the earnings per share calculation.

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2016 (Unaudited)	2015 (Unaudited)	**2016 (Unaudited)**	2015 (Unaudited)
Profit for the period (AED'000)	**901,961**	1,021,941	**2,839,140**	3,672,249
Weighted average 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)	**0.15**	0.17	**0.47**	0.61

Notes to the condensed consolidated financial statements
For the nine month period ended 30 September 2016 (continued)

21. Dividend

On 19 April 2016 the Company held its annual general meeting which, among other things, approved a cash dividend equal to AED 0.15 per share amounting to AED 907.5 million. The dividend was paid on 15 May 2016.

On 29 March 2015, the Company issued share dividend of AED 0.10 per share amounting to AED 500 million. In addition, on 15 September 2015 the Company approved an interim share dividend and cash dividend of AED 0.10 per share amounting to AED 550 million each. The shares were issued on 29 September 2015 consequent to which the total issued, subscribed and fully paid up shares of the Company increased to 6.05 billion. The cash dividend was paid on 5 October 2015.

22. Comparative figures

In accordance with the requirements of IAS 1: *Presentation of Financial Statements* and IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been reclassified in the condensed consolidated statements of comprehensive income and cash flows for the nine month period from 1 January 2015 to 30 September 2015, as previously reported:

Extract of condensed consolidated statement of comprehensive income (Unaudited):

	As previously reported AED'000	*Reclassification AED'000*	*Restated AED'000*
General, administrative and selling expenses	(676,800)	(117,655)	(794,455)
Brokerage and commission	(117,655)	117,655	-

Extract of condensed consolidated statement of cash flows (Unaudited):

	As previously reported AED'000	*Reclassification AED'000*	*Restated AED'000*
Decrease in trade and other payables	(743,718)	528,819	(214,899)
Decrease in advances from customers	-	(528,819)	(528,819)

23. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements for the period ended 30 September 2016 was approved by the Board and authorised for issue on 6 November 2016.