

DEYAAR DEVELOPMENT PJSC

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (UNAUDITED)**

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2016**

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Unaudited) *for the nine month period ended 30 September 2016*

Content	Pages
Independent auditors' report on review of condensed consolidated interim financial information	1 - 2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss	4
Condensed consolidated statement of profit or loss and other comprehensive income	5
Condensed consolidated statement of changes in equity	6
Condensed consolidated statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 – 21



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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Shareholders
Deyaar Development PJSC

Introduction

We have reviewed the accompanying 30 September 2016 condensed consolidated interim financial information of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2016;
- the condensed consolidated statement of profit or loss for the three month and nine month periods ended 30 September 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2016;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2016; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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



Deyaar Development PJSC
Independent auditors' report on review of condensed
consolidated interim financial information
30 September 2016

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Vijendra Nath Malhotra
Registration No: 48
Dubai, United Arab Emirates

23 OCT 2016

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 September 2016

		30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property and equipment		311,668	264,927
Investment properties	6	319,880	253,556
Properties held for development and sale	8	320,608	313,543
Trade and other receivables		3,022	5,165
Investments in joint ventures and associates	13	1,244,579	1,181,640
Long term fixed deposits	7	50,218	51,650
Available-for-sale financial assets		21,048	23,893
		2,271,023	2,094,374
Current assets			
Properties held for development and sale	8	980,379	998,897
Inventories		2,276	2,227
Due from related parties	9	1,953,246	1,951,333
Trade and other receivables		298,963	336,607
Cash and bank balances		751,740	823,340
		3,986,604	4,112,404
Total assets		6,257,627	6,206,778
EQUITY			
Share capital		5,778,000	5,778,000
Legal reserve		242,529	242,529
Available for sale fair valuation reserve		1,713	4,558
Accumulated losses		(1,194,669)	(1,362,534)
Total equity		4,827,573	4,662,553
LIABILITIES			
Non-current liabilities			
Borrowings	10	371,634	342,308
Retentions payable		19,708	10,368
Advances from customers		37,422	12,087
Provision for employees' end of service benefits		12,527	10,990
		441,291	375,753
Current liabilities			
Borrowings	10	110,954	136,540
Trade and other payables	11	743,904	837,359
Retentions payable		1,174	17,499
Advances from customers		120,432	163,061
Due to related parties	9	12,299	14,013
		988,763	1,168,472
Total liabilities		1,430,054	1,544,225
Total equity and liabilities		6,257,627	6,206,778

The condensed consolidated interim financial information was approved by the Board of Directors, and authorised for issue on 23 OCT 2016 and signed on their behalf by:

Saeed Al Qatani
Chief Executive Officer

Hani K. Fansa
Hani K. Fansa
Chief Financial Officer

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial information.

The independent auditors' report on the review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the nine month period ended 30 September 2016

	Note	Nine month ended		Three month ended	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
		AED'000	AED'000	AED'000	AED'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue		261,210	141,543	126,253	25,324
Direct costs		(156,597)	(49,510)	(83,561)	(6,124)
Other operating income	14	30,855	15,444	14,122	8,661
General and administrative expenses		(100,536)	(110,616)	(37,722)	(43,072)
Write back of provision / (provision) for claims		1,921	(37,871)	2,449	22,955
Gain from fair value adjustment on investment properties	6	66,445	16,176	33,975	17,173
Write back of provision for impairment against advances for purchase of properties	12	6,144	157,876	-	32,339
Finance cost		(13,330)	(21,369)	(4,361)	(6,420)
Finance income		8,814	7,437	2,970	2,612
Share of results from joint ventures and associates	13	(5,945)	58,756	2,372	(7,332)
Write back of provision for impairment of investment in associates	13	68,884	-	-	-
Profit for the period		167,865	177,866	56,497	46,116
Earnings per share – basic and diluted		Fils 2.91	Fils 3.08	Fils 0.98	Fils .80

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial information.

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Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the nine month period ended 30 September 2016

	Nine month ended		Three month ended	
	30 September 2016 AED'000	30 September 2015 AED'000	30 September 2016 AED'000	30 September 2015 AED'000
	(Unaudited)		(Unaudited)	
		(Restated)		(Restated)
Profit for the period	167,865	177,866	56,497	46,116
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Change in fair value of available-for-sale financial assets	(2,845)	(2,105)	(759)	(398)
Total comprehensive income for the period	165,020	175,761	55,738	45,718

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial information.

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Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended 30 September 2016

	Share capital AED'000	Legal reserve AED'000	Available-for- sale fair valuation reserve AED'000	Accumulated losses AED'000	Total Equity AED'000
Balance at 1 January 2015, as previously reported (audited)	5,778,000	213,394	5,506	(1,623,836)	4,373,064
Effect of change in accounting policy (Note 2.3)	-	-	-	(917)	(917)
Balance at 1 January 2015 (restated) (audited)	5,778,000	213,394	5,506	(1,624,753)	4,372,147
<i>Total comprehensive income for the period (unaudited)</i>					
Profit for the period, as previously reported (Note 2.3)	-	-	-	189,931	189,931
Effect of change in accounting policy (Note 2.3)	-	-	-	(12,065)	(12,065)
Profit for the period (restated)	-	-	-	177,866	177,866
Other comprehensive income for the period	-	-	(2,105)	-	(2,105)
Total comprehensive income for the period (restated) (unaudited)	-	-	(2,105)	177,866	175,761
Balance at 30 September 2015 (restated) (unaudited)	5,778,000	213,394	3,401	(1,446,887)	4,547,908
At 1 January 2016 (audited)	5,778,000	242,529	4,558	(1,362,534)	4,662,553
<i>Total comprehensive income for the period (unaudited)</i>					
Profit for the period	-	-	-	167,865	167,865
Other comprehensive income for the period	-	-	(2,845)	-	(2,845)
Total comprehensive income for the period (unaudited)	-	-	(2,845)	167,865	165,020
Balance at 30 September 2016 (unaudited)	5,778,000	242,529	1,713	(1,194,669)	4,827,573

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial information.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine month period ended 30 September 2016

	Note	Nine month ended	
		30 September 2016 AED'000	30 September 2015 AED'000
		(Unaudited)	(Restated)
Cash flows from operating activities			
Net cash (used in) / generated from operating activities	15	(22,491)	51,048
Cash flows from investing activities			
Additions to property and equipment		(49,978)	(5,432)
Proceeds on reduction of investment in an associate		-	752
Additions to investment property – net		-	(3,247)
Term deposits maturing after three months		241,433	389,747
Income from deposits		8,497	7,151
Net cash generated from investing activities		199,952	388,971
Cash flows from financing activities			
Net movement in borrowings		3,740	(150,556)
Finance costs paid		(12,801)	(20,108)
Net cash used in financing activities		(9,061)	(170,664)
Net increase in cash and cash equivalents		168,400	269,355
Cash and cash equivalents, beginning of the period		453,340	439,292
Cash and cash equivalents, end of the period		621,740	708,647
For the purpose of statement of cash flows, cash and cash equivalents comprise:			
Cash on hand		3,339	1,282
Current accounts		259,300	208,415
Fixed deposits		539,319	717,762
Cash and bank balances		801,958	927,459
Less : Deposit maturing after 3 months		(180,218)	(218,812)
Cash and cash equivalents		621,740	708,647

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial information.

The independent auditors' report on the review of the condensed consolidated interim financial information is set out on pages 1 and 2.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

1 Legal status and principal 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 ("UAE"). The Company is listed on Dubai Financial Market.

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

In the current period, the Company has incorporated a new subsidiary, Deyaar Parking Management LLC, to carry out car park rental and management activities.

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

2 Basis of preparation and accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information for the nine month period ended 30 September 2016 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards.

UAE Federal Law no 2 of 2015 being the Commercial Companies Law ("the UAE Companies Law of 2015") was issued on 1 April 2015 to come into force on 1 July 2015 repealing the old UAE Federal Law No. 8 of 1984 (as amended). Companies are mandated to comply with the UAE Companies Law of 2015 by 30 June 2017.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

2.3 Change in accounting policy (2015)

Revenue from sale of properties

In the previous period (2015), the Group recognised revenue and related cost for sale of properties in the condensed consolidated statement of profit or loss when the risks and rewards of ownership were transferred to the buyer. The significant risks and rewards were deemed to be transferred when the title deed was registered in the name of the buyer, which in the case of properties, generally used to take place only upon completion of construction and physical handover of the property. However, in certain circumstances, equitable interest in the property was considered vested in the buyer before the legal title passes and therefore the risks and rewards of ownership were transferred at that stage. In such cases, provided that the Group had no further substantial acts to complete in connection with the sale of the property, revenue and related cost was recognised when equitable interest in the property had been passed to the buyer.

IFRS 15 Revenue from contracts with customers

In the previous year, the Group reviewed the impact of IFRS 15 and accordingly elected to early adopt IFRS 15 for its annual consolidated financial statements with effect from 1 January 2015, as the Group considered it to be a better reflection of its business performance. The Group applied IFRS 15 using the cumulative effect method i.e., by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at 1 January 2015.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy (2015) (continued)

IFRS 15 Revenue from contracts with customers (continued)

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective from annual periods commencing on or after 1 January 2018 either based on a full retrospective or modified application, with early adoption permitted. IFRS 15 replaces existing revenue recognition guidance and outlines a single comprehensive model of accounting for revenue arising from contracts with customers that is based on transfer of control. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity is entitled in exchange for transferring goods or services to a customer.

Impact of early adopting IFRS 15 on the condensed consolidated interim financial information of the Group for the nine month period ended 30 September 2015 is as follows:

i. Condensed consolidated statement of profit or loss

Nine month period ended 30 September 2015 (unaudited)	As previously reported AED'000	Impact of recognition of restatement AED'000	Restated AED'000
Revenue	253,979	(112,436)	141,543
Direct / operating costs	(165,981)	116,471	(49,510)
Share of results from joint ventures and associates	74,856	(16,100)	58,756
Profit for the period	189,931	(12,065)	177,866
Earnings per share attributable to the equity holders of the Company – basic and diluted	Fils 3.29	Fils (0.21)	Fils 3.08

ii. Condensed consolidated statement of cash flows

Nine month period ended 30 September 2015 (unaudited)	As previously reported AED'000	Impact of recognition of restatement AED'000	Restated AED'000
Cash flows from operating activities			
Profit for the period	189,931	(12,065)	177,866
Share of results from associates and joint ventures	(74,856)	16,100	(58,756)
Reversal of provision for impairment of properties held for development and sale	(18,831)	10,204	(8,627)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	(18,087)	14,239	(3,848)
Changes in working capital			
Advance from customers – non-current	140,515	(44,581)	95,934
Advance from customers – current	(169,183)	157,017	(12,166)
Property held for development and sale	(56,907)	(126,675)	(183,582)

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

2 Basis of preparation and accounting policies (continued)

2.3 Change in accounting policy (2015) (continued)

For the cumulative effect of early adoption of IFRS 15 as an adjustment to opening balance of equity as at 1 January 2015, the condensed consolidated interim financial information for the nine month period ended 30 September 2016 should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3 Estimates and assumptions

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

In preparing the condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

The Group has an established control framework with respect to the measurement of fair values, and management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

4 Financial risk management

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial information, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2015.

5 Segmental information

Operating segment:

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the Group as a whole for the purpose of decision making.

Management has determined the operating segments based on segments identified for the purpose of allocating resources and assessing performance. The Group is organised into two major operating segments: Property development and properties and facilities management.

Management monitors the operating results of its operating segments for the purpose of making strategic decisions about performance assessment. Segment performance is evaluated based on operating profit or loss.

	Property development activities AED'000	Property and facilities management AED'000	Total AED'000
Nine month period ended 30 September 2016 (unaudited)			
Segment revenues – external	199,958	61,252	261,210
Segment profit	148,513	19,352	167,865
As at 30 September 2016 (unaudited)			
Segment assets	6,093,801	163,826	6,257,627
Nine month period ended 30 September 2015 (unaudited)			
Segment revenues – external (restated)	89,941	51,602	141,543
Segment profit (restated)	164,738	13,128	177,866
As at 31 December 2015 (audited)			
Segment assets	6,062,466	144,312	6,206,778

Geographic information

Total assets located outside the United Arab Emirates as at 30 September 2016 amount to AED 3.3 million (31 December 2015: AED 3.3 million).

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

6 Investment properties

	UAE Office building AED'000	UAE Retail units AED'000	UAE Parking spaces AED'000	30 September 2016 Total AED'000	31 December 2015 Total AED'000
	(Unaudited)				(Audited)
Fair value hierarchy	3	3	3	3	
Fair value at the beginning of reporting period	85,733	167,823	-	253,556	329,320
Additions / adjustments	-	(121)	-	(121)	3,362
Transfer to property and equipment (Note i below)	-	-	-	-	(95,302)
Fair value gain on transfer from properties held for sale (Note ii below)	-	-	66,445	66,445	-
Net fair value gain on valuation of investment properties	-	-	-	-	16,176
Fair value at the end of reporting period	85,733	167,702	66,445	319,880	253,556

- i. In the previous year, the Company had reclassified a plot of land from investment properties to property and equipment. This property was earlier recognized in the consolidated financial statements of the Company in accordance with the fair value accounting policy adopted for the measurement of investment properties and upon reclassification, its carrying value amounting to AED 95.3 million was deemed to be the cost of the property in accordance with the accounting policy adopted for recognition and measurement of property and equipment. This reclassification was a result of the change in use of the property as reflected by the Company's relevant business model. Based on the management's assessment of the fair value of the property reclassified, there was no material difference between the carrying value of the plot of land and its fair value on the transfer date and accordingly no gain or loss was recognised in the Company's consolidated profit or loss upon transfer.
- ii. During the current period, the Company has reclassified part of its portfolio of parking spaces in various buildings from property held for sale to investment properties as a result of change in use of these spaces. The spaces were reclassified to investment properties at their fair value on the date of transfer based on a fair valuation exercise carried out by an external valuer resulting in a fair value gain of AED 66.45 million. The gain was recognised in the consolidated statement of profit or loss in accordance with the accounting policy adopted for the measurement of investment properties.

Bank borrowings are secured against investment properties for the value of AED 80 million (31 December 2015: AED 80 million).

Valuation processes

Retail units and parking spaces included in the Group's investment properties are valued by independent professionally qualified valuers who hold a recognised relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. UAE office building is valued by the Groups' finance department.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

6 Investment properties (continued)

Valuation processes (continued)

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

Information about fair value measurements using significant unobservable inputs (Level 3) are as follows:

Country	Segment	Valuation	Estimate	Range of inputs	Sensitivity of management estimates	
					Impact lower AED'000	Impact higher AED'000
UAE	Office building	Income capitalisation	Estimated rental value	AED 100 to AED 230 per sqft per annum	(913)	913
			Discount rate	12.29%	10,567	(8,437)

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

Valuation techniques underlying management's estimation of fair value:

For office building, the valuation was determined using the income capitalisation method based on following significant unobservable inputs:

Estimated rental value (per sqft p.a.)	based on the actual location, type and quality of the properties and current market rents for similar properties;
Cash flow discount rate	reflecting current market assessments of the uncertainty in the amount and timing of cash flows.

For retail units and parking spaces, the valuation was determined using the indicative fair values of these investment properties as at 30 June 2016 provided by an independent firm of surveyor and property consultant. The surveyor has used sales comparison method to determine the fair values of retail units and parking spaces.

7 Long term fixed deposits

In 2014, the Company had signed a financial restructuring plan with a financial institution for settling its Wakala deposit amounting to AED 101 million. The key terms of the financial restructuring plan were as follows:

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

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

7 Long term fixed deposits (continued)

In 2014, upon signing the restructuring plan, and considering its key terms, management had recognized an impairment charge of AED 15.3 million and the present value impact of AED 6.7 million on non-current fixed deposit. In 2015, the Company had received AED 2.3 million against convertible contingent instruments and accordingly had written back the impairment charge by an equivalent amount.

As at 30 September 2016, the Company has cumulatively received AED 31.4 million (*31 December 2015: AED 30.3 million*) from the financial institution towards the repayment of deposit including early repayment of some of the instalments. The balance outstanding amount has been classified as non-current in accordance with the agreement.

8 Properties held for development and sale

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of impairment amounting to AED 2.4 million (*Reversal for impairment for the year ended 31 December 2015: AED 9.1 million and for nine month period ended 30 September 2015: AED 8.6 million*), which was recognized in the condensed consolidated statement of profit or loss under "direct costs".

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

In the current period, the Company has reclassified part of its portfolio of parking spaces in various buildings from property held for sale to investment properties based on change in use.

Residential units in a building and a plot of a land with a total carrying value of AED 271.8 million (*31 December 2015: AED 290.7 million*) are mortgaged under Islamic finance obligations (Note 10).

In the current period, the Company has recognised an amount of AED 137.4 million (*for nine month period ended 30 September 2015: AED 45.5 million*) in condensed consolidated statement of profit or loss under "directs costs" against revenue recognised of AED 175.4 million (*for nine month period ended 30 September 2015: AED 66.8 million*).

For land held for future development and use amounting to AED 424.5 million as at the reporting date (*31 December 2015: AED 424.5 million*), management is currently evaluating feasibility of the projects and considering alternative viable and profitable options.

9 Related party transactions and balances

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

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

9 Related party transactions and balances (continued)

(a) Related party transactions

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

	Nine month period ended 30 September 2016 AED'000 (Unaudited)	Nine month period ended 30 September 2015 AED'000 (Unaudited)
Other operating income/finance income		
A significant shareholder	4,550	2,530
A joint venture	-	1,120

(b) Remuneration of key management personnel

	Nine month period ended 30 September 2016 AED'000 (Unaudited)	Nine month period ended 30 September 2015 AED'000 (Unaudited)
Compensation to key management personnel		
Salaries and other short term employee benefits	9,402	10,724
Termination and post-employment benefits	475	332
Directors' fees	1,013	1,013
	10,890	12,069

(c) Due from related parties comprises:

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current		
Due from joint ventures	15,124	15,106
Due from other related parties	1,938,122	1,936,227
	1,953,246	1,951,333

Cash and cash equivalents include fixed deposits of AED 320 million (31 December 2015: AED 330 million) deposited with a significant shareholder of the Company (a bank), at market prevailing profit rates.

At 30 September 2016, the Group had bank borrowings from the significant shareholder (a bank) of AED 326.9 million (31 December 2015: AED 264.1 million) at market prevailing profit rates.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

9 Related party transactions and balances (continued)

(c) Due from related parties comprises: (continued)

In 2010, the Group entered into a sale and purchase agreement with a related party to sell properties with a carrying value of AED 1,337.8 million and rights to purchase plots amounting to AED 899.6 million. The sale consideration as per the initial agreement was AED 3,647.5 million.

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

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

Following the amendments to the original agreement, the sale consideration was reduced by approximately AED 731 million, as a result of the purchaser's commitment to settle this balance on demand, on or before 31 December 2016, in cash or in kind, or a combination of both.

During 2014, pursuant to the addendum to original sale and purchase agreement for a plot of land with the master developer, the Group had entered into an amendment agreement with the related party, which resulted in a further reduction of the sale consideration by AED 141 million. Further, the related party had also transferred plots of land thereby settling receivable balance of AED 669.3 million against the outstanding receivable.

In 2015, the Company settled an amount of AED 108 million relating to certain plots on behalf of the related party resulting in reduction of the Company's commitments. The receivable amount is reflected in the books of the Company after deducting the future committed payments of AED 170 million (Note 16) relating to rights to purchase plots from the sale consideration as per the sale and purchase agreement. Management is currently evaluating various options and expects that the balance will be settled during current year.

(d) Due to related parties comprises:

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Current		
Due to a significant shareholder	-	1,714
Due to a joint venture partner	12,299	12,299
	12,299	14,013

10 Borrowings

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Non-current	371,634	342,308
Current	110,954	136,540
Total borrowings	482,588	478,848

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

10 Borrowings (continued)

	Islamic finance obligations AED'000
1 January 2015	650,161
Repayments	(171,313)
31 December 2015 – audited	478,848
1 January 2016	478,848
Addition during the year	100,000
Repayments	(96,260)
30 September 2016 - unaudited	482,588

The Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks. The facilities were availed to finance the properties under construction. In the previous year, the Group signed restructuring agreements of Ijarah and Murabaha facilities with the banks, whereby these facilities had been restructured into finance obligations repayable over five to seven years, with a revised profit rates. The Islamic finance obligations carry market prevailing profit rates, and are repayable in monthly or quarterly instalments over a period of one to seven years from the reporting date (*31 December 2015: one to eight years*).

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

The borrowings include an amount of AED 326.9 million (*31 December 2015: AED 264.1 million*) obtained from the significant shareholder. Refer note 9.

11 Trade and other payables

At 31 December 2015, trade and other payables included a provision for claim of AED 65.9 million relating to claim made by third party against the Company. The provision was based on management's best estimate after considering the potential cash flows in respect of the claim. In the current period, management has settled an amount of AED 63.5 million and written back the provision of AED 2.4 million based on management's assessment of this claim.

12 Write back of net provision for impairment against advance for purchase of properties

In 2014, the Company recorded an impairment provision of AED 68.6 million against advance paid for purchase of properties of AED 114 million, which was expected to be swapped with other plots of land and cash payment due to changes in the master development plan. The provision was reflective of the initial assessment which was determined on the basis of management's best estimate of the value of the new land expected to be received by the Company. In March 2015, the master developer proposed settlement options to the Company to accommodate the Company for the advance paid for purchase of properties. The write back of provision for the nine month period ended 30 September 2015 was determined on the basis of offers received from the master developer and their fair values as determined by an independent firm of surveyors and property consultant.

In August 2015, the Company had signed a sale and purchase agreement for a new plot of land with the master developer and recognized this land including expected legal / registration charges as at year ended 31 December 2015. On the basis of the fair value of land, cash received and registration charges for land, the Company had written back a net provision of AED 157.8 million during the year ended 31 December 2015 and recorded the land at the net realisable value as assessed and valued by an independent and professionally qualified valuer.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

13 Investments in joint ventures and associates

In the current period, the management has written back a provision for impairment against investment in associate amounting to AED 68.8 million based on management assessment of the recoverable amount of the Group's share of assets held by the entity in which associate holds an interest. Management's assessment is based on the indicative fair values of the assets after considering the development progress of the project undertaken by the entity. Furthermore, the Group has recognised its share of results from joint ventures and associates for the period amounting to AED 5.94 million (*nine month period ended 30 September 2015: AED 58.76 million*).

14 Other operating income

Other operating income mainly includes write-back of liability of AED 13 million pursuant to signing of settlement agreement by the Company and one of its contractors and reversal of provision for bad and doubtful debts recorded in prior years of AED 8.4 million upon receipt of the overdue amount in the current period.

15 Cash flows from operating activities

	Nine month period ended 30 September	
	2016	2015
	AED'000	AED'000
	(Unaudited)	
	(Restated)	
Profit for the period	167,865	177,866
Adjustment for		
Depreciation	3,237	3,887
Provision for employees' end of service benefits	2,289	2,686
Provision for Doubtful Debts	972	1,345
Reversal of provision for impairment of properties held for development and sale	(2,448)	(8,627)
(Reversal of provision) / provision for claims	(1,921)	37,871
Reversal of provision of investment in an associate	(68,884)	-
Reversal of provision for impairment against advance for purchase of properties	(6,144)	(157,876)
Gain on fair valuation of investment property	(66,445)	(16,176)
Finance income	(8,814)	(7,437)
Finance costs	13,330	21,369
Share of results from associates and a joint venture	5,945	(58,756)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	38,982	(3,848)

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

15 Cash flows from operating activities (continued)

	Nine month period ended 30 September	
	2016 AED'000 (Unaudited)	2015 AED'000 (Restated)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	38,982	(3,848)
Payment of employees' end of service benefits	(752)	(1,696)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	13,901	(183,582)
Retentions payables – non-current	9,340	2,910
Trade and other receivables – non-current	2,143	31,761
Trade and other receivables – current	36,989	153,879
Inventories	(49)	(2,509)
Due from related parties	(1,913)	(62,005)
Retentions payable	(16,325)	(8,261)
Advance from customers – non Current	25,335	95,934
Advance from customers – current	(42,629)	(12,166)
Trade and other payables	(85,799)	41,137
Due to related parties	(1,714)	(506)
Net cash (used in) / generated from operating activities	(22,491)	51,048

16 Commitments

At 30 September 2016, the Group had total commitments of AED 517 million (31 December 2015: AED 643.7 million) with respect to project related contracts issued as of the end of the period / year net of invoices received and accruals made as at that date. The Group also had commitments with respect to purchase of land of AED 170.4 million (31 December 2015: AED 170.4 million) (Refer Note 9).

17 Contingent liabilities

At 30 September 2016, the Group had contingent liabilities in respect of performance and other guarantees issued by a bank on behalf of a subsidiary, in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to AED 10.6 million (31 December 2015: AED 26.1 million).

The Company is also a party to certain legal cases in respect of certain plots of land. Based on review of opinion provided by the legal advisors, management is of the opinion that no cash outflow in respect of these claims is expected to be paid by the Company in these legal cases and accordingly no provision is recognized. The Company has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters. Also refer Note 16.

Certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any cash outflows for the Group.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

18 Financial instruments by category

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

	Loans and receivables (at amortized cost) AED'000	Available- for-sale financial assets (at fair value) AED'000	Total AED'000
30 September 2016 (unaudited)			
Assets as per statement of financial position			
Available-for-sale financial assets	-	21,048	21,048
Trade and other receivables excluding prepayments, advances to suppliers/contractors	85,417	-	85,417
Due from related parties	1,953,246	-	1,953,246
Long term fixed deposits	50,218	-	50,218
Bank balances	748,401	-	748,401
	2,837,282	21,048	2,858,330
			Amortised cost AED'000
30 September 2016 (unaudited)			
Liabilities as per statement of financial position			
Trade and other payables			743,904
Retentions payable			20,882
Borrowings			482,588
Due to related parties			12,299
			1,259,673
	Loans and receivables (at amortized cost) AED'000	Available- for-sale financial assets (at fair value) AED'000	Total AED'000
31 December 2015			
Assets as per statement of financial position			
Available-for-sale financial assets	-	23,893	23,893
Trade and other receivables	102,080	-	102,080
Due from related parties	1,951,333	-	1,951,333
Long term fixed deposits	51,650	-	51,650
Bank balances	821,493	-	821,493
	2,926,556	23,893	2,950,449
			Amortised cost AED'000
31 December 2015			
Liabilities as per statement of financial position			
Trade and other payables			771,392
Retentions payable			27,867
Borrowings			478,848
Due to related parties			14,013
			1,292,120

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016 (continued)

18 Financial instruments by category (continued)

The following table presents the Group's financial assets that are measured at fair value, by valuation method:

	Level 1 AED'000	Total AED'000
As at 30 September 2016 (unaudited)		
Available-for-sale financial assets	21,048	21,048
As at 31 December 2015 (audited)		
Available-for-sale financial assets	23,893	23,893

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values keeping in view the period over which these are expected to be realised. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.