

DEYAAR DEVELOPMENT PJSC

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

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2017**

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Unaudited) *For the nine month period ended 30 September 2017*

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

To the Shareholders of Deyaar Development PJSC

Introduction

We have reviewed the accompanying September 30, 2017 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 September 30, 2017;
- the condensed consolidated statement of profit or loss for the three month and nine month periods ended September 30, 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods ended September 30, 2017;
- the condensed consolidated statement of changes in equity for the nine month period ended September 30, 2017;
- the condensed consolidated statement of cash flows for the nine month period ended September 30, 2017; and
- notes to the 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.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited



Fawzi AbuRass
Registration No: 968
Dubai, United Arab Emirates

Date: **17 OCT 2017**

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property and equipment		482,550	343,955
Investment properties	6	338,964	330,669
Investments in joint ventures and an associate	13	1,264,195	1,236,016
Properties held for development and sale	8	-	333,482
Trade and other receivables		3,308	4,835
Advance for purchase of properties	9	265,568	136,293
Long term fixed deposits	7	50,981	50,377
Available-for-sale financial assets		17,919	22,186
		2,423,485	2,477,813
Current assets			
Properties held for development and sale	8	1,244,032	956,747
Inventories		2,330	2,171
Trade and other receivables		517,423	176,379
Due from related parties	10	1,817,091	1,954,449
Cash and bank balances	14	383,704	647,171
		3,964,580	3,736,917
Total assets		6,388,065	6,214,730
EQUITY			
Share capital		5,778,000	5,778,000
Legal reserve		264,144	264,144
Available for sale fair valuation reserve		(1,416)	2,851
Accumulated losses		(1,070,941)	(1,172,327)
Total equity		4,969,787	4,872,668
LIABILITIES			
Non-current liabilities			
Borrowings	11	451,115	343,046
Retentions payable		34,628	27,874
Advances from customers		-	54,052
Provision for employees' end of service benefits		13,683	12,892
		499,426	437,864
Current liabilities			
Borrowings	11	95,633	95,633
Trade and other payables	12	717,521	742,767
Retentions payable		30,139	1,155
Advances from customers		62,511	52,344
Due to related parties	10	13,048	12,299
		918,852	904,198
Total liabilities		1,418,278	1,342,062
Total equity and liabilities		6,388,065	6,214,730

The condensed consolidated interim financial information was approved by the Board of Directors, and authorised for issue on 17 OCT 2017 and signed on their behalf by:

Saeed Al Qatami

Chief Executive Officer

Hani K. Fansa

Hani K. Fansa
Chief Financial Officer

The notes on pages 8 to 20 are an integral part of the condensed consolidated interim financial information.
The independent auditors' report on 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 2017

	Note	Nine month ended		Three month ended	
		30 September	30 September	30 September	30 September
		2017	2016	2017	2016
		AED'000	AED'000	AED'000	AED'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue		511,805	261,210	195,324	126,253
Direct / operating costs		(329,828)	(156,597)	(120,718)	(83,561)
Other operating income	9(ii)	26,349	30,855	1,637	14,122
General and administrative expenses		(106,576)	(100,536)	(36,830)	(37,722)
(Expense against claims) / reversal of provision	12	(12,932)	1,921	(10,168)	2,449
Gain from fair value adjustment on investment properties		6,802	66,445	-	33,975
Write back of provision for impairment against advances for purchase of properties		3,675	6,144	1,225	-
Finance cost		(12,941)	(13,330)	(4,383)	(4,361)
Finance income		5,655	8,814	1,537	2,970
Share of results from joint ventures and an associate		8,297	(5,945)	5,680	2,372
Write back of provision for impairment of investment in an associate	13	-	68,884	-	-
Profit for the period		100,306	167,865	33,304	56,497
Earnings per share – basic and diluted		Fils 1.74	Fils 2.91	Fils 0.58	Fils 0.98

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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 2017

	Nine month ended		Three month ended	
	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
Profit for the period	100,306	167,865	33,304	56,497
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	(4,267)	(2,845)	(1,423)	(759)
Total comprehensive income for the period	96,039	165,020	31,881	55,738

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Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the nine month period ended 30 September 2017

	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 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
At 1 January 2017 (audited)	5,778,000	264,144	2,851	(1,172,327)	4,872,668
<i>Total comprehensive income for the period (unaudited)</i>					
Profit for the period	-	-	-	100,306	100,306
Other comprehensive income for the period	-	-	(4,267)	-	(4,267)
Total comprehensive income for the period (unaudited)	-	-	(4,267)	100,306	96,039
Adjustments to Board of Directors' remuneration (Refer Note 10(b))	-	-	-	1,080	1,080
Balance at 30 September 2017 (unaudited)	5,778,000	264,144	(1,416)	(1,070,941)	4,969,787

The notes on pages 8 to 20 are an integral part of the condensed consolidated interim financial information.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2017

	Note	Nine month ended	
		30 September 2017 AED'000	30 September 2016 AED'000
		(Unaudited)	
Cash flows from operating activities			
Net cash used in operating activities	14	(242,895)	(22,491)
Cash flows from investing activities			
Additions to property and equipment		(121,690)	(49,978)
Proceed from disposal of investment in joint venture		118	-
Net movement in term deposits with an original maturity after three months		114,395	241,433
Income from deposits		5,655	8,497
Net cash (used in) / generated from investing activities		(1,522)	199,952
Cash flows from financing activities			
Net movement in borrowings		108,069	3,740
Finance costs paid		(12,120)	(12,801)
Net cash generated from / (used in) financing activities		95,949	(9,061)
Net (decrease) / increase in cash and cash equivalents		(148,468)	168,400
Cash and cash equivalents, beginning of the period		507,172	453,340
Cash and cash equivalents, end of the period		358,704	621,740
For the purpose of statement of cash flows, cash and cash equivalents comprise:			
Cash on hand		4,663	3,339
Current accounts		122,469	259,300
Fixed deposits		307,553	539,319
Cash and bank balances	14	434,685	801,958
Less: deposits with an original maturity after 3 months		(75,981)	(180,218)
Cash and cash equivalents		358,704	621,740

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Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

1 Legal status and activities

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

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 2017 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 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of UAE Federal Law No. (2) of 2015.

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 2016.

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 2016.

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.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

3 Estimates and assumptions (continued)

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.

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 2016. 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 2016.

5 Segmental information

Operating segment

The Board of Directors are the Group's chief operating decision maker. 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

5 Segmental information (continued)

Operating segment (continued)

	Property development activities AED'000	Property and facilities management AED'000	Total AED'000
Nine month period ended 30 September 2017 (unaudited)			
Segment revenues – external	441,393	70,412	511,805
Segment profit	81,177	19,129	100,306
As at 30 September 2017 (unaudited)			
Segment assets	6,204,082	183,983	6,388,065
Segment liabilities	1,265,494	152,784	1,418,278
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 31 December 2016 (audited)			
Segment assets	6,049,892	164,838	6,214,730
Segment liabilities	1,201,952	140,110	1,342,062

Geographic information

The carrying amount of total assets located outside the United Arab Emirates as at 30 September 2017 is AED 3.3 million (31 December 2016: AED 3.3 million).

6 Investment properties

	UAE Office Building AED'000	UAE Parking spaces AED'000	UAE Stores units AED'000	UAE Retail units AED'000	30 September 2017 Total AED'000	31 December 2016 Total AED'000
	(Unaudited)					(Audited)
Fair value hierarchy level	3	3	3	3		
Fair value at the beginning of the reporting period	85,795	66,445	10,711	167,718	330,669	253,556
Additions	63	31	-	83	177	848
Transfer from property and equipment				2,750	2,750	-
Transfer to property and equipment	(1,434)	-	-		(1,434)	-
Transfer from properties held for sale	-	-	-	-	-	773
Net gain from fair value adjustments on investment properties	-	2,575	-	4,227	6,802	75,492
Fair value at the end of reporting period	84,424	69,051	10,711	174,778	338,964	330,669

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

6 Investment properties (continued)

In 2016, the Company reclassified its portfolio of parking spaces and store units in various buildings from property held for sale to investment properties as a result of change in use of these parking spaces and store units. The parking spaces and store units 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 66.5 million and AED 9.9 million respectively. 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.

During the current period, the Company has reclassified additional units from 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 parking spaces. The spaces were reclassified to investment properties at their fair value on the date of transfer based on a fair value exercise carried out by an external valuer resulting in fair value gain of AED 2.6 million

During the current period, the Company has reclassified retail units from property and equipment to investment properties as a result of change in use. The units were reclassified at their fair value on the date of transfer and existing retail units were fair valued at the reporting date based on a fair value exercise carried out by an external valuer resulting in fair value gain of AED 4.2 million.

The above fair value gain was recognised in the condensed consolidated statement of profit or loss in accordance with accounting policy adopted for the measurement of investment properties.

During the current period, the Company has reclassified a unit in its office building to property and equipment as a result of change in use. The unit was reclassified at its fair value on the date of transfer.

Bank borrowings are secured against investment properties for the value of AED 131.5 million (31 December 2016: AED 131.5 million) (Refer Note 11).

Valuation processes

Retail units, parking spaces and store units included in the Group's investment properties are valued on a periodic basis 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. Valuation of UAE office building is valued by the Groups' finance department. The Group's finance department includes a team that also reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuers on a regular basis.

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	Impact higher
					AED'000	AED'000
UAE	Office building	Income capitalisation	Estimated rental value	AED 95 to AED 210 per sqft per annum	(890)	890
			Discount rate	11.59%	8,913	(11,376)

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

6 Investment properties (continued)

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, parking spaces and store units, the valuation was determined using the indicative fair values of these investment properties as at 30 June 2017 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets. Management believes that there was no material variance in the value of the Group's investment properties in the current period.

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. 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
- 15% of the remaining 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.

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

As at 30 September 2017, the Company has cumulatively received AED 32.4 million (2016: AED 32.4 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 1.3 million (for the year ended 31 December 2016: AED 3.3 million and for nine month period ended 30 September 2016: AED 2.4 million), which was recognized in the condensed consolidated statement of profit or loss under "direct / operating 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 expected market prices.

In 2016, the Company had reclassified part of its portfolio of parking spaces and store units in various buildings from property held for sale to investment properties based on change in use.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

8 Properties held for development and sale (continued)

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

In the current period, the Company has reclassified office units from property held for sale to property and equipment based on change in use.

Plots of land with total carrying value of AED 612.6 million (*31 December 2016: AED 244 million*) is mortgaged under Islamic finance obligations (Refer Note 11).

In the current period, the Company has recognised an amount of AED 305.8 million (*for nine month period ended 30 September 2016: AED 137.4 million*) in condensed consolidated statement of profit or loss under "direct / operating costs" against revenue recognised of AED 413.2 million (*for nine month period ended 30 September 2016: AED 175.4 million*).

For land held for future development and use amounting to AED 424.5 million as at the reporting date (*31 December 2016: AED 124.5 million*), management is currently evaluating feasibility of the projects and considering alternative viable and profitable options.

9 Advance for purchase of properties

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Advance for purchase of share in real estate projects (i)	392,813	392,813
Advance for purchase of properties (ii)	125,600	-
	518,413	392,813
Less: provision for impairment against advance for purchase of share in real estate projects (i)	(252,845)	(256,520)
	265,568	136,293

- i. In previous years, the Company had entered into a Memorandum of Understanding (MoU) for the purchase of its share in a portfolio of investment properties in a real estate project. The advance is recoverable by means of transfer to the Company its share of properties in the project.
- ii. In the current period, the Company has signed a termination and settlement agreement with a master developer whereby the master developer will swap the plots of land designated as per original sale and purchase agreement with other new plot(s) at a later date and pay a termination compensation. As per the agreement, the value of new plot(s) of land will be determined by the valuer to be appointed, jointly by the Company and master developer from 60 days of approval of master plan and any excess or shortfall in valuation compared to the original purchase price will be paid by the Company/master developer. Accordingly, the original purchase amount paid has been classified as advance for purchase of properties and the Company recorded a net income of AED 15.9 million as other income in the current period representing the agreed compensation.

10 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 or over which they exercise significant management influence.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

10 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 2017 AED'000 (Unaudited)	Nine month period ended 30 September 2016 AED'000 (Unaudited)
A significant shareholder		
Other operating income / finance income	2,740	4,550
Finance cost	8,884	6,905

(b) Remuneration of key management personnel

	Nine month period ended 30 September 2017 AED'000 (Unaudited)	Nine month period ended 30 September 2016 AED'000 (Unaudited)
Salaries and other short term employee benefits	9,117	9,402
Termination and post-employment benefits	301	475
	9,418	9,877

During the current period, the Board of Directors' remuneration amounting to AED 3.2 million was paid (31 December 2016: provision of AED 4.3 million) after reversal of AED 1.1 million based on the final approval of the shareholders in the Annual General Meeting dated 5 April 2017.

(c) Due from related parties

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Due from joint venture	16,018	15,908
Due from other related parties	1,802,418	1,940,079
	1,818,436	1,955,987
Less: provision for impairment for due from a related party	(1,345)	(1,538)
	1,817,091	1,954,449

Cash and bank balances include fixed deposits of AED 215 million (31 December 2016: AED 290 million) deposited with a significant shareholder of the Company (a bank), at market prevailing profit rates.

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 of land amounting to AED 899.6 million. The sale consideration agreed on by both parties as per the initial agreement was AED 3,647.5 million.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

10 Related party transactions and balances (continued)

(c) Due from related parties (continued)

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

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

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 2017, 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.

During 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 170.4 million (Note 15) relating to rights to purchase plots from the sale consideration as per the sale and purchase agreement.

In the current period, pursuant to the termination of original sale and purchase agreement for plots of land with a master developer, the Group entered into an amendment agreement with related party which resulted in reduction of receivable balance by AED 134.4 million which includes deferred profit of AED 8.8 million.

Management is currently evaluating various options for settlement for outstanding balance.

(d) Due to related parties

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Due to a joint venture partner	12,299	12,299
Due to a related party	749	-
	13,048	12,299

At 30 September 2017, the Group had bank borrowings from a significant shareholder (a bank) of AED 338.4 million (31 December 2016: AED 307.6 million), at market prevailing profit rates. Also refer Note 11.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

11 Borrowings

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Non-current	451,115	343,046
Current	95,633	95,633
Total borrowings	546,748	438,679
		Islamic finance obligations AED'000
1 January 2016		478,848
Additional drawdown		100,000
Repayments		(140,169)
31 December 2016 – audited		438,679
1 January 2017		438,679
Additional drawdown		179,793
Repayments		(71,724)
30 September 2017 – unaudited		546,748

The Islamic finance obligations represent Ijarah, Musharaka 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. The Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of three to ten years from the reporting date.

The repayment terms and profit rates against these facilities are similar to those mentioned in the consolidated financial statements of the Group for the year ended 31 December 2016.

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).

Also refer Note 10.

12 Trade and other payables

Trade and other payables include provision relating to claims made by third parties and customers against the Company. The provisions are based on management's best estimate after considering the potential cash flows in respect of the claim on a case to case basis.

13 Investment in joint ventures and an associate

- i) In 2016, the Company's management had written back provision for impairment against investment in an associate amounting to AED 68.8 million based on their assessment of the recoverable amount of the Group's share of assets held by the entity in which an associate of the Company holds an interest. Management's assessment was based on the indicative fair values of the assets after considering the development progress of the project undertaken by the entity.
- ii) In the previous year, the Group had a 50% interest in Dubai International Development Company LLC ("the joint venture"), a company registered in the United Arab Emirates. During the current period, liquidation process of the joint venture was concluded and, the Company received AED 0.2 million in respect of its investment in the joint venture.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

14 Cash flows from operating activities

	Nine month ended 30	
	September	
	2017 AED'000 (Unaudited)	2016 AED'000 (Unaudited)
Profit for the period	100,306	167,865
Adjustment for		
Depreciation	4,695	3,237
Provision for employees' end of service benefits	1,943	2,289
Reversal of provision for impairment of properties held for development and sale	(1,265)	(2,448)
Provision for doubtful debts	2,000	972
Expense against claims / (reversal of provision)	11,721	(1,921)
Reversal of provision of investment in an associate	-	(68,884)
Reversal of provision for impairment against advance for purchase of properties	(3,675)	(6,144)
Gain on fair valuation of Investment property	(6,802)	(66,445)
Compensation from the master developer	(9,401)	-
Finance income	(5,655)	(8,814)
Finance costs	12,941	13,330
Share of results from joint ventures and an associate	(8,297)	5,945
Operating cash flows before payment of employees' end of service benefits and changes in working capital	98,511	38,982
Payment of employees' end of service benefits	(1,152)	(752)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	41,558	13,901
Trade and other receivables – non current	(127,748)	2,143
Trade and other receivables – current	(197,106)	36,989
Inventories	(159)	(49)
Retentions payable – non current	6,754	9,340
Retentions payable – current	28,984	(16,325)
Advances from customers – non current	(54,052)	25,335
Advances from customers – current	10,167	(42,629)
Trade and other payables	(49,401)	(85,799)
Due from related parties	-	(1,913)
Due to related parties	749	(1,714)
Net cash used in operating activities	(242,895)	(22,491)

Bank accounts include balance of AED 33.3 million (31 December 2016: AED 83.4 million) and fixed deposits of AED 160 million at market prevailing profit rates (31 December 2016: AED 205 million) held in escrow accounts.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

15 Commitments

At 30 September 2017, the Group had total commitments of AED 776.1 million (31 December 2016: AED 612.1 million) with respect to project related contracts issued as of the end of period / year net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 170.4 million (31 December 2016: AED 170.4 million) (Refer note 10 (c) and note 16).

16 Contingent liabilities

At 30 September 2017, the Group had contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 124.6 million (31 December 2016: AED nil). Also, the Group had contingent liabilities, on behalf of a subsidiary, in respect to guarantees issued by a bank amounting to AED 3.4 million (31 December 2016: AED 10.6 million). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

The Company is also a party to certain legal cases in respect of certain plots of land and party to various potential claims from customers and, where necessary, makes adequate provisions against any potential claims. Such provisions are reassessed regularly to include significant claims and instances of potential litigations. Based on review of opinion provided by the legal advisors / internal legal team, management is of the opinion that no material cash outflow in respect of these claims is expected to be paid by the Company in these legal cases over and above the existing provision in the books of accounts. 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 15.

17 Financial instruments by category

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

30 September 2017 (unaudited)	Loans and receivables (at amortized cost) AED'000	Available- for-sale financial assets (at fair value) AED'000	Total AED'000
Assets as per statement of financial position			
Available-for-sale financial assets	-	17,919	17,919
Trade and other receivables excluding prepayments and advances	346,818	-	346,818
Due from related parties	1,817,091	-	1,817,091
Long term fixed deposits	50,981	-	50,981
Bank balances	379,041	-	379,041
	2,593,931	17,919	2,611,850

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

17 Financial instruments by category (continued)

	Amortised cost AED'000
30 September 2017 (unaudited)	
Liabilities as per statement of financial position	
Trade and other payables	717,521
Retentions payable	64,767
Borrowings	546,748
Due to a related party	13,048
	1,342,084

	Loans and receivables (at amortized cost) AED'000	Available- for- sale financial assets (at fair value) AED'000	Total AED'000
31 December 2016 (Audited)			
Assets as per statement of financial position			
Available-for-sale financial assets	-	22,186	22,186
Trade and other receivables excluding prepayments and advances	111,411	-	111,411
Due from related parties	1,954,449	-	1,954,449
Long term fixed deposits	50,377	-	50,377
Bank balances	645,718	-	645,718
	2,761,955	22,186	2,784,141

	Amortised cost AED'000
31 December 2016 (Audited)	
Liabilities as per statement of financial position	
Trade and other payables	742,767
Retentions payable	29,029
Borrowings	438,679
Due to related parties	12,299
	1,222,774

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 2017 (unaudited)		
Available-for-sale financial assets	17,919	17,919
As at 31 December 2016 (audited)		
Available-for-sale financial assets	22,186	22,186

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017 (continued)

17 Financial instruments by category (continued)

The carrying value less impairment provision of trade receivables is assumed to be 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.