DEYAAR DEVELOPMENT PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Unaudited)

For the six month period ended 30 June 2017

Content **Pages**

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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 June 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 June 30, 2017;
- the condensed consolidated statement of profit or loss for the three month and six month periods ended June 30, 2017;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three month and six month periods ended June 30, 2017;
- the condensed consolidated statement of changes in equity for the six month period ended June 30, 2017;
- the condensed consolidated statement of cash flows for the six month period ended June 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 June 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

Richard Ackland
Registration No: 1015
Dubai, United Arab Emirates

Date: 20 JUL 2017

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**412,892**	343,955
Investment properties	*6*	**340,221**	330,669
Investments in joint ventures and an associate	*13*	**1,258,515**	1,256,016
Properties held for development and sale	*8*	**349,238**	333,482
Trade and other receivables		**11,927**	4,835
Advance for purchase of properties	*9*	**264,343**	136,293
Long term fixed deposits	*7*	**50,778**	50,377
Available-for-sale financial assets		**19,342**	22,186
		2,707,256	2,477,813
Current assets			
Properties held for development and sale	*8*	**916,748**	956,747
Inventories		**2,033**	2,171
Trade and other receivables		**430,991**	176,379
Due from related parties	*10*	**1,816,209**	1,954,449
Cash and bank balances	*14*	**482,349**	647,171
		3,648,330	3,736,917
Total assets		**6,355,586**	6,214,730
EQUITY			
Share capital		**5,778,000**	5,778,000
Legal reserve		**264,144**	264,144
Available for sale fair valuation reserve		**7**	2,851
Accumulated losses		**(1,104,245)**	(1,172,327)
Total equity		**4,937,906**	4,872,668
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**434,089**	343,046
Retentions payable		**21,071**	27,874
Advances from customers		**74,675**	54,052
Provision for employees' end of service benefits		**13,632**	12,892
		543,467	437,864
Current liabilities			
Borrowings	*11*	**95,633**	95,633
Trade and other payables	*12*	**721,290**	742,767
Retentions payable		**29,475**	1,155
Advances from customers		**14,646**	52,344
Due to related parties	*10*	**13,169**	12,299
		874,213	904,198
Total liabilities		**1,417,680**	1,342,062
Total equity and liabilities		**6,355,586**	6,214,730

The condensed consolidated interim financial information was approved by the Board of Directors, and authorised for issue on 20 JUL 2017 and signed on their behalf by:

Saeed Al Qatami
Chief Executive Officer

Hani 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 six month period ended 30 June 2017

	Note	Six month ended 30 June 2017 AED'000	Six month ended 30 June 2016 AED'000	Three month ended 30 June 2017 AED'000	Three month ended 30 June 2016 AED'000
		(Unaudited)		(Unaudited)	
Revenue		**316,481**	134,957	**174,679**	74,739
Direct / operating costs		**(209,110)**	(73,036)	**(115,958)**	(42,436)
Other operating income	*9(ii)*	**24,712**	16,733	**5,625**	15,140
General and administrative expenses		**(69,746)**	(62,814)	**(32,619)**	(31,136)
(Expense against claims) / reversal of provision	*12*	**(2,764)**	(528)	**(1,720)**	11,019
Gain from fair value adjustment on investment properties		**6,802**	32,470	**6,802**	32,470
Write back of provision for impairment against advances for purchase of properties		**2,450**	6,144	**1,225**	6,144
Finance cost		**(8,558)**	(8,969)	**(4,260)**	(4,143)
Finance income		**4,118**	5,844	**1,502**	2,679
Share of results from joint ventures and an associate		**2,617**	(8,317)	**(107)**	(4,139)
Write back of provision for impairment of investment in an associate	*13*	**-**	68,884	**-**	-
Profit for the period		**67,002**	111,368	**35,169**	60,337
Earnings per share – basic and diluted		**Fils 1.16**	Fils 1.93	**Fils 0.61**	Fils 1.04

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Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six month period ended 30 June 2017

	Six month ended		Three month ended	
	30 June 2017 AED'000	30 June 2016 AED'000	**30 June 2017 AED'000**	30 June 2016 AED'000
	(Unaudited)		(Unaudited)	
Profit for the period	**67,002**	111,368	**35,169**	60,337
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Change in fair value of available-for-sale financial assets	**(2,844)**	(2,086)	**(1,232)**	(948)
Total comprehensive income for the period	**64,158**	109,282	**33,937**	59,389

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 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
Total comprehensive income for the period (unaudited)					
Profit for the period	-	-	-	111,368	111,368
Other comprehensive income for the period	-	-	(2,086)	-	(2,086)
Total comprehensive income for the period (unaudited)	-	-	(2,086)	111,368	109,282
Balance at 30 June 2016 (unaudited)	5,778,000	242,529	2,472	(1,251,166)	4,771,835
At 1 January 2017 (audited)	5,778,000	264,144	2,851	(1,172,327)	4,872,668
Total comprehensive income for the period (unaudited)					
Profit for the period	-	-	-	67,002	67,002
Other comprehensive income for the period	-	-	(2,844)	-	(2,844)
Total comprehensive income for the period (unaudited)	-	-	(2,844)	67,002	64,158
Adjustments to Board of Directors' remuneration (Refer Note 10(b))	-	-	-	1,080	1,080
Balance at 30 June 2017 (unaudited)	**5,778,000**	**264,144**	**7**	**(1,104,245)**	**4,937,906**

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 six month period ended 30 June 2017

	Note	Six month ended 30 June 2017 AED'000	30 June 2016 AED'000
		(Unaudited)	
Cash flows from operating activities			
Net cash (used in) / generated from operating activities	14	**(176,728)**	26,829
Cash flows from investing activities			
Additions to property and equipment		**(74,612)**	(26,230)
Proceeds from disposal of investment in joint venture		**118**	-
Additions to investment property		-	-
Net movement in term deposits with an original maturity after three months		**69,597**	200,594
Income from deposits		**4,118**	5,703
Net cash (used in) / generated from investing activities		**(779)**	180,067
Cash flows from financing activities			
Net movement in borrowings		**91,043**	(80,770)
Finance costs paid		**(8,360)**	(8,706)
Net cash generated from / (used in) financing activities		**82,683**	(89,476)
Net (decrease) / increase in cash and cash equivalents		**(94,824)**	117,420
Cash and cash equivalents, beginning of the period		**507,172**	453,340
Cash and cash equivalents, end of the period		**412,348**	570,760

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

	Note	30 June 2017 AED'000	30 June 2016 AED'000
Cash on hand		**7,033**	9,061
Current accounts		**219,654**	171,674
Fixed deposits		**306,440**	611,081
Cash and bank balances	14	**533,127**	791,816
Less: deposits with an original maturity after 3 months		**(120,779)**	(221,056)
Cash and cash equivalents		**412,348**	570,760

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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 six month period ended 30 June 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.

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).

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.

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 perating profit or loss.

5 Segmental information (continued)

Operating segment (continued)

	Property development activities AED'000	Property and facilities management AED'000	Total AED'000
Six month period ended 30 June 2017 (unaudited)			
Segment revenues – external	**268,850**	**47,631**	**316,481**
Segment profit	**54,417**	**12,585**	**67,002**
As at 30 June 2017 (unaudited)			
Segment assets	**6,182,958**	**172,628**	**6,355,586**
Segment liabilities	**1,271,383**	**146,297**	**1,417,680**
Six month period ended 30 June 2016 (unaudited)			
Segment revenues – external	95,395	39,562	134,957
Segment profit	98,240	13,128	111,368
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 June 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 June 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	-	-	-	-	-	848
Transfer from property and equipment				2,750	2,750	-
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	**85,795**	**69,020**	**10,711**	**174,695**	**340,221**	330,669

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 of these retail units. 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 condensed consolidated statement of profit or loss in accordance with accounting policy adopted for the measurement of investment properties.

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 performed 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:

					Sensitivity of management estimates	
Country	**Segment**	**Valuation**	**Estimate**	**Range of inputs**	**Impact lower AED'000**	**Impact higher AED'000**
UAE	Office building	Income capitalisation	Estimated rental value	AED 95 to AED 210 per sqft per annum	(914)	914
			Discount rate	11.59%	9,067	(11,572)

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.

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.

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 an 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 its 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 June 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 0.7 Million *(for the year ended 31 December 2016: AED 3.3 million and for six month period ended 30 June 2016: net provision for impairment AED 0.4 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.

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.

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

In the current period, the Company has recognised an amount of AED 193.20 million *(for six month period ended 30 June 2016: AED 60.20 million)* in condensed consolidated statement of profit or loss under "direct / operating costs" against revenue recognised of AED 247.8 million *(for six month period ended 30 June 2016: AED 77.6 million)*.

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

9 Advance for purchase of properties

	30 June 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)	**(254,070)**	(256,520)
	264,343	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 of the Company's 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. 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 operating 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.

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:

	Six month period ended 30 June 2017 AED'000 (Unaudited)	Six month period ended 30 June 2016 AED'000 (Unaudited)
A significant shareholder		
Other operating income / finance income	**1,808**	2,217
Finance cost	**5,863**	4,209
A joint venture		
Other operating income / finance income	**-**	1,176

(b) Remuneration of key management personnel

	Six month period ended 30 June 2017 AED'000 (Unaudited)	Six month period ended 30 June 2016 AED'000 (Unaudited)
Salaries and other short term employee benefits	**6,115**	6,380
Termination and post-employment benefits	**209**	363
	6,324	6,743

During the current period, 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 5th April 2017.

(c) Due from related parties comprises:

	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Due from joint ventures	**15,136**	15,908
Due from other related parties	**1,802,418**	1,940,079
	1,817,554	1,955,987
Less: provision for impairment for due from a related party	**(1,345)**	(1,538)
	1,816,209	1,954,449

Cash and bank balances include fixed deposits of AED 180 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.

10 Related party transactions and balances (continued)

(c) Due from related parties comprises: (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 the 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 of the outstanding balance.

(d) Due to related parties comprises:

	30 June 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	**870**	-
	13,169	12,299

At 30 June 2017, the Group had bank borrowings from a significant shareholder (a bank) of AED 357.6 million *(31 December 2016: AED 307.6 million)*, at market prevailing profit rates. Also refer Note 11.

11 Borrowings

	30 June 2017	31 December 2016
	AED'000	AED'000
	(Unaudited)	(Audited)
Non-current	**434,089**	343,046
Current	**95,633**	95,633
Total borrowings	**529,722**	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	134,180
Repayments	(43,137)
30 June 2017 – unaudited	**529,722**

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 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 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.

13 Investment in joint ventures and an associate (continued)

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.

14 Cash flows from operating activities

	Six month ended 30 June	
	2017	2016
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit for the period	**67,002**	111,368
Adjustment for		
Depreciation	**3,404**	2,176
Provision for employees' end of service benefits	**1,655**	1,286
(Reversal of provision) / provision for impairment of properties held for development and sale	**(715)**	384
Provision for doubtful debts	**1,000**	-
Provision for claims	-	528
Reversal of provision of investment in an associate	-	(68,884)
Reversal of provision for impairment against advance for purchase of properties	**(2,450)**	(6,144)
Gain on fair valuation of Investment property	**(6,802)**	(32,470)
Compensation from the master developer	**(9,401)**	-
Finance income	**(4,118)**	(5,844)
Finance costs	**8,558**	8,969
Share of results from joint ventures and an associate	**(2,617)**	8,317
Operating cash flows before payment of employees' end of service benefits and changes in working capital	**55,516**	19,686
Payment of employees' end of service benefits	**(915)**	(110)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	**24,958**	(4,219)
Trade and other receivables – non current	**(132,692)**	1,798
Trade and other receivables – current	**(108,169)**	17,291
Inventories	**138**	60
Retentions payable – non current	**(6,803)**	4,649
Retentions payable – current	**28,320**	(16,276)
Advances from customers – non current	**20,623**	16,973
Advances from customers – current	**(37,698)**	(1,366)
Trade and other payables	**(20,876)**	(10,273)
Due to related parties	**870**	(1,384)
Net cash (used in) / generated from operating activities	**(176,728)**	26,829

Bank accounts include balance of AED 108.3 million *(31 December 2016: AED 83.4 million)* and fixed deposits of AED 125 million at market prevailing profit rates *(31 December 2016: AED 205 million)* held in escrow accounts.

15 Commitments

At 30 June 2017, the Group had total commitments of AED 908.8 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 June 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 122.7 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.

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.

17 Financial instruments by category

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

30 June 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	-	19,342	19,342
Trade and other receivables excluding prepayments and advances	257,665	-	257,665
Due from related parties	1,816,209	-	1,816,209
Long term fixed deposits	50,778	-	50,778
Bank balances	475,316	-	475,316
	2,599,968	**19,342**	**2,619,310**

17 Financial instruments by category (continued)

30 June 2017 (unaudited)	Amortised cost AED'000
Liabilities as per statement of financial position	
Trade and other payables	721,290
Retentions payable	50,546
Borrowings	529,722
Due to related parties	13,169
	1,314,727

31 December 2016 (audited)	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	-	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

31 December 2016 (audited)	Amortised cost AED'000
Liabilities as per statement of financial position	
Trade and other payables	742,767
Retentions payable	29,029
Borrowings	438,679
Due to a related party	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 June 2017 (unaudited)		
Available-for-sale financial assets	**19,342**	**19,342**
As at 31 December 2016 (audited)		
Available-for-sale financial assets	22,186	22,186

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.