Deyaar Development PJSC

Consolidated financial statements
For the year ended 31 December 2020

Deyaar Development PJSC

Consolidated financial statements for the year ended 31 December 2020

Director's report

The Directors submit their report together with the audited consolidated financial statements of Deyaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2020.

Principal activities

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

Financial Results

Revenue of the Group for the year ended 31 December 2020 is AED 413 million (2019: AED 604 million) and loss for the year amounted to AED 217 million (2019: profit AED 72 million).

The Group aims to provide comprehensive, long term solutions that enhances the value of property investments. Though, the non-current assets portfolio of the Group held for capital appreciation and revenue generation has decreased by AED 73 million compared to previous year, the Group has recorded profit before fair value adjustments and impairment losses amounting to AED 24.5 million for the year ended 31 December 2020 (2019: AED 46.4 million).

Directors

The Board of Directors comprised of:

Mr. Abdulla Ali Obaid Al Hamli	Chairman
Mr. Abdulla Ibrahim Saeed Lootah	Vice Chairman
Mr. Khalifa Suhail Juma Al Zaffin	Director
Mr. Mohamed Saeed Ahmed A. Al Sharif	Director
Dr. Adnan Abdus Shakoor Chilwan	Director
Mr. Obaid Nasser Ahmad Lootah	Director
Mr. Mohamed Abdulla Amer Al Nahdi	Director
Mr. Yasser Abdulrahman Bin Zayed	Director
Ms. Maryam Mohammad Abdulla Abdulrahman Bin Faris	Director

Auditors

The financial statements for the year ended 31 December 2020 have been audited by Deloitte & Touche (M.E.), who were appointed as auditors of the Company at the Annual General Meeting held on 8 April 2020.

On behalf of the Board

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Abdulla Ali Obaid Al Hamli
Chairman

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Deyaar Development PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Deyaar Development PJSC** ("the Company") **and its subsidiaries** ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cont'd…

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Deyaar Development PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of properties held for development and sale	
The Group holds properties for development and sales of AED 1,334 million, which comprise completed residential and commercial properties (AED 417 million), land held for mixed-use development and sale (AED 695 million) and properties under development (AED 222 million) (Note 8). The Group determines whether its properties held for development and sale exhibit any indicators of impairment and if so, compares the recoverable amount of each property to its carrying amount. The Group applies significant estimates in determining the recoverable amount of properties held for development and sale. Changes in these estimates could have a significant impact on the determination of the recoverable amount of these assets. Key inputs used by management in their valuation exercise include future projected cash flows and comparable property transactions, which are influenced by prevailing market conditions and the specific characteristics of each property in the portfolio. Further, in making their assessment, the Group have also considered the possible impacts of Covid-19 on the valuation of properties held for development and sale, based on information available as at 31 December 2020. In addition, when considered necessary, the Group also appoints professionally qualified external valuers to determine the recoverable amount of the Group's portfolio of properties held for development and sale. The estimation of property cost and net realisable value is a key process as a change in the Group's forecast estimate of sales price and construction cost could have a material impact on the carrying value of the properties held for development and sale in the Group's consolidated financial statements. In the event that the carrying amount of a property is higher than its recoverable amount, the Group will adjust the property to its recoverable amount and recognise an impairment loss. We considered the properties held for development and sale as a key audit matter because of the quantitative materiality of the balance and the significant judgements applied and estimates made in determining the recoverable amount.	We assessed the design and implementation of controls in this area over the process involved in the determination of the valuation of properties held for development and sale. We considered if there were any properties which had not been considered for an assessment of the recoverable amount by management. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient. We tested the data provided to the valuer by the Group, on a sample basis. We involved our internal real estate valuation specialist to review selected properties and assessed whether the valuation of the properties was performed in accordance with the requirements contained within IFRSs relating to valuation and impairment. Assessed and challenged the reasonableness of the underlying key assumptions, especially in light of Covid-19, used in the recoverable amount assessment. We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of the recoverable amount. We reperformed the arithmetical accuracy of the determination of recoverable amounts. We assessed the disclosures made relating to this matter to determine if they were in accordance with the requirements of IFRSs.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Deyaar Development PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
The Group's investment properties portfolio is carried at AED 736 million in the consolidated statement of financial position and the net fair value loss recorded in the consolidated statement of profit or loss is AED 130 million (Note 6). The determination of the fair value of these investment properties is based on internal and external valuations using discounted cash flows over the Group's estimated holding period, income capitalisation method and the sales comparable approach for the respective asset. The Group's discounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates, and discount rates. Further, in making their assessment, the Group have also considered the possible impacts of Covid-19, based on information available as at 31 December 2020. The sales comparable approach requires the valuers to examine and analyse market transaction/data and requires adjustments to be made for the data to account for individual characteristics. The valuation of the portfolio is a significant judgment area and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements. In the event that the fair value of investment properties is higher or lower than its carrying amount, the Group will recognise a fair value adjustment in its consolidated statement of profit or loss. We considered the valuation of investment properties as a key audit matter because of the quantitative materiality of the balance and the significant judgements applied and estimates made in determining the fair value.	We assessed the design and implementation of controls in the process involved in the determination of the valuation of investment property. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient. We tested the data provided to the valuer by the Group, on a sample basis. We involved our internal real estate valuation specialist to review selected properties and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRSs relating to valuation. Assessed and challenged, especially in light of Covid-19, the reasonableness of the underlying key assumptions used in the valuation assessment. We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. We reperformed the arithmetical accuracy of the determination of recoverable amounts. We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of property and equipment	
The Group has portfolio of hotels which are owner occupied and are therefore classified as property and equipment. The carrying value of the portfolio of hotels amounts to AED 511 million is included in the total carrying value of Group's property and equipment amounting to AED 555 million. (Note 5). The Group determines whether its portfolio of hotels exhibit any indicators of impairment and if so, compares the recoverable amount of each hotel to its carrying amount. The Group applies significant estimates in determining the recoverable amount of three hotel properties. Changes in these estimates could have a significant impact on the determination of the recoverable amount of these assets. Key inputs used by management in their valuation exercise include future projected cash flows derived from future average daily room rate, occupancy and revenue per available room and comparable property transactions, which are influenced by prevailing market conditions and the specific characteristics of each hotel in the portfolio. Further, in making their assessment, the Group has also considered the reasonably possible impacts of Covid-19, based on information available as at 31 December 2020. In addition, when considered necessary, the Group also appoints professionally qualified external valuers to determine the fair value of the Group's portfolio of hotels. The valuation of the hotel portfolio is a significant judgment area and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements. In the event that the carrying amount of the hotels is higher than its recoverable amount, the Group will adjust the carrying value of portfolio of hotels to its recoverable amount and recognise an impairment loss. We considered the valuation of hotels classified as property and equipment as a key audit matter because of the quantitative materiality of the balance and the significant judgements applied and estimates made in determining the recoverable amount.	We assessed the design and implementation of control involved in the process of assessing indication of impairment of property and equipment. We considered if there were any hotel properties which had not been considered for an assessment of the recoverable amount by management. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient. We tested the data provided to the valuer by the Group, on a sample basis. We involved our internal real estate valuation specialist to review all three hotel properties and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRSs relating to valuation and impairment. Assessed and challenged the reasonableness of the underlying key assumptions, especially in light of Covid-19, used in the recoverable amount assessment. We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of the recoverable amount. We reperformed the arithmetical accuracy of the determination of recoverable amounts. We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Deyaar Development PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Assessment and recoverability of the balance due from a related party	
The carrying amount of the balance due from a related party is AED 412 million. This amount relates to certain properties under dispute against which the Group obtained a favourable court judgement in the prior year. This amount is included in the gross carrying amount of the balance due from related parties amounting to AED 964 million against which no allowance for impairment has been recognised (Note 11). Management has appointed an external legal counsel to assist them in the execution process and determination of the recoverability of the balance due from a related party. During the current year, the execution of the court judgement has been handed over to a special committee by virtue of resolution number 12 of 2020 passed by the Government of Dubai. Subsequent to the year end, on 15 February 2021, the special committee has decided it has no jurisdiction over the case and has transfer the case to the court of execution. Accordingly, management has submitted an application to the court of execution to proceed with the execution process. We considered the balance due from a related party as a key audit matter because of the quantitative materiality of the balance, significant interaction with those charged with governance due to the subjectivity involved and the significant judgements applied and estimates made by management in determining the amount to be recognised as the balance due from a related party.	We gained a detailed understanding of the properties under dispute and reviewed all legal documents issued by the jurisdictional authorities related to the balance due from a related party. We also discussed this matter with management and those charged with governance. We assessed the design and implementation of controls over the assessment of the amount recognized as being due from the related party. We evaluated the significant judgements applied and estimates made by management in their determination of the balance due from a related party. We have discuss this matter with the internal and external legal counsel who are representing the Group in this matter. We reviewed the special committee judgement and execution proceedings filed by the Group relating to this matter. We assessed the disclosures made relating to this matter to determine if they were in accordance with the requirements of IFRSs.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Director's Report, at the date of our auditor's report, and we expect to obtain the remaining sections of the Annual report after the date of the auditor's report.

Other Information (continued)

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained up to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Deyaar Development PJSC (continued)

Report on Other Legal and Regulatory Requirements

Further as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Company has maintained proper books of accounts;
- the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Company;
- as disclosed in note 36 to the consolidated financial statements, the Company has not purchased any shares during the financial year ended 31 December 2020;
- note 11 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020; and
- note 24 to the consolidated financial statements discloses the social contributions made during the year.

Deloitte & Touche (M.E.)

Mohammad Jallad
Registration No. 1164
17 February 2021
Dubai
United Arab Emirates

Consolidated statement of financial position
As at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	**554,796**	968,431
Investment properties	6	**736,077**	514,210
Investments in a joint venture and an associate	7	**1,345,230**	1,350,633
Trade, contract and other receivables	10	**204,098**	70,941
Long term fixed deposits	12	**39,780**	40,863
Equity instrument at fair value through other comprehensive income	13	**3,413**	10,865
		2,883,394	2,955,943
Current assets			
Properties held for development and sale	8	**1,334,432**	1,281,058
Inventories		**2,535**	2,225
Trade, contract and other receivables	10	**422,479**	774,235
Due from related parties	11(c)	**567,044**	812,007
Cash and bank balances	12	**375,275**	415,935
		2,701,765	3,285,460
Total assets		**5,585,159**	6,241,403
EQUITY			
Share capital	14	**5,778,000**	5,778,000
Legal reserve	15	**298,358**	298,358
Equity instruments fair valuation reserve	13	**(15,922)**	(8,470)
Accumulated losses		**(1,748,472)**	(1,530,137)
Total equity		**4,311,964**	4,537,751
LIABILITIES			
Non-current liabilities			
Borrowings	16	**705,330**	691,761
Retentions payable	19	**8,015**	18,609
Provision for employees' end of service benefits	20	**14,705**	14,909
		728,050	725,279
Current liabilities			
Borrowings	16	**121,170**	289,544
Advances from customers	17	**10,329**	25,017
Trade and other payables	18	**336,985**	583,597
Retentions payable	19	**70,651**	76,203
Provision for claims	26	**5,480**	2,212
Due to related parties	11(d)	**530**	1,800
		545,145	978,373
Total liabilities		**1,273,195**	1,703,652
Total equity and liabilities		**5,585,159**	6,241,403

To the best of our knowledge, and in accordance with IFRS, the consolidated financial statements present fairly in all material respects the consolidated financial position, financial performance and cash flows of the Group.

The consolidated financial statements were approved on 17 February 2021 by:

Abdulla ~~Ali Obaid~~ Al Hamli
Chairman

Saeed Al Qatami
Chief Executive Officer

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

Consolidated statement of profit or loss
For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Revenue	21	**412,859**	603,749
Direct costs	22	**(260,693)**	(399,704)
General administrative and selling expenses	24	**(149,078)**	(164,729)
Other operating income	23	**33,425**	13,844
Finance cost	27	**(36,889)**	(30,207)
Provision/expense against claims	26	**(4,725)**	(1,553)
Finance income	27	**4,904**	7,451
Share of results from a joint venture and an associate	7	**24,741**	17,582
Profit before fair value adjustments & impairment losses		**24,544**	46,433
(Impairment)/reversal against properties held for sale	8	**(36,077)**	1,796
Reversal of impairment against advance for purchase of properties		**-**	3,590
(Loss)/gain from fair valuation on investment properties, net	6	**(130,048)**	19,718
Impairment against property and equipment	5	**(75,342)**	-
(Loss)/profit for the year		**(216,923)**	71,537
(Loss)/profit attributable to:			
Owners of the Company		**(216,923)**	71,537
		(216,923)	71,537
(Loss)/earnings per share attributable to the owners of the Company during the year - basic and diluted	28	**Fils (3.75)**	Fils 1.24

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

Consolidated statement of other comprehensive loss
For the year ended 31 December 2020

	Note	2020 AED'000	2019 AED'000
(Loss)/profit for the year		**(216,923)**	71,537
Other comprehensive loss			
Item that will not be subsequently reclassified to profit or loss:			
Equity instrument at fair value through other comprehensive loss - net change in fair value	13	**(7,452)**	(6,770)
Other comprehensive loss for the year		**(7,452)**	(6,770)
Total comprehensive (loss)/income for the year		**(224,375)**	64,767
Attributable to:			
Owners of the Company		**(224,375)**	64,767
Total comprehensive (loss)/income for the year		**(224,375)**	64,767

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

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital AED'000	Legal reserve AED'000	Equity instruments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2019	5,778,000	291,204	(1,700)	(1,592,601)	4,474,903
Total comprehensive income for the year					
Profit for the year	-	-	-	71,537	71,537
Other comprehensive loss for the year	-	-	(6,770)	-	(6,770)
Total comprehensive (loss)/income for the year	-	-	(6,770)	71,537	64,767
Transfer to legal reserve	-	7,154	-	(7,154)	-
Adjustments to Board of Directors' remuneration (Note 11(b))	-	-	-	(631)	(631)
Board of Directors' remuneration (Note 11(b))	-	-	-	(1,288)	(1,288)
Balance at 31 December 2019	5,778,000	298,358	(8,470)	(1,530,137)	4,537,751
Total comprehensive income for the year					
Loss for the year	-	-	-	(216,923)	(216,923)
Other comprehensive loss for the year	-	-	(7,452)	-	(7,452)
Total comprehensive loss for the year	-	-	(7,452)	(216,923)	(224,375)
Transfer to legal reserve	-	-	-	-	-
Adjustments to Board of Directors' remuneration (Note 11(b))	-	-	-	(1,412)	(1,412)
Balance at 31 December 2020	**5,778,000**	**298,358**	**(15,922)**	**(1,748,472)**	**4,311,964**

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

Consolidated statement of cash flows
For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Net cash generated from/(used in) operating activities	29	**121,158**	(32,703)
Cash flows from investing activities			
Additions to property and equipment	5	**(4,401)**	(113,232)
Additions to investment properties; net	6	**(3,513)**	(121)
Adjustment to investment properties		**348**	-
Repayment from joint venture	7	**30,144**	-
Net movement in term deposits with an original maturity after three months		**(1,270)**	21,295
Income from deposits		**5,518**	9,103
Net cash generated from/(used in) investing activities		**26,826**	(82,955)
Cash flows from financing activities			
Repayment of borrowings		**(267,300)**	(247,964)
Drawdown of borrowings		**112,495**	215,436
Finance cost paid		**(36,558)**	(31,716)
Net cash used in financing activities		**(191,363)**	(64,244)
Decrease in cash and cash equivalents		**(43,379)**	(179,902)
Cash and cash equivalents, beginning of the year		**364,019**	543,856
(Reversal)/charge of impairment on bank balances		**(331)**	65
Cash and cash equivalents, end of the year	12	**320,309**	364,019

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

Notes to the consolidated financial statements
For the year ended 31 December 2020

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, Dubai, UAE.

The ultimate majority shareholder of the Group is Dubai Islamic Bank ("the Ultimate Controlling Party").

The principal activities of the Company and its subsidiaries (together, "the Group") are property investment and development, leasing, facilities, property management services and hospitality related activities.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

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

(a) New and revised IFRS that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements.

In the current year, the Group has applied a number of amendments to IFRS and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts report in these consolidated financial statements:

- *Amendments to References to the Conceptual Framework in IFRS Standards*
- *Amendments to IFRS 3 Definition of a business*
- *Amendments to IAS 1 and IAS 8 Definition of material*
- *Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions*

Other than the above, there are no further significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

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

(b) New and revised IFRS in issue but not yet effective and not early adopted

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* - Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*	

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements.

3. Significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

The principal accounting policies adopted in the preparation of the Group consolidated financial statements are set out below. These policies have been consistently applied to al years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

3. Significant accounting policies (continued)

Basis of preparation (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which describe as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total profit or loss and other comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant accounting policies (continued)

Investments in a joint venture and an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate and joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated statement of profit or loss in the period in which the investment is acquired.

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

a) Classification and measurement of financial assets and financial liabilities

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

a) Classification and measurement of financial assets and financial liabilities (continued)

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

b) Impairment

The financial assets at amortised cost consist of trade and other receivables, contract assets, due from related parties, cash at banks, and fixed deposits.

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

b) Impairment (continued)

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- bank balances, long term fixed deposits and certain related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables, contract assets and due from a related party are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

b) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities carried at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Group’s financial liabilities includes bank borrowings, trade and other payables, retention payable.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

3. Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other operating income or expense".

3. Significant accounting policies (continued)

Foreign currency translation (continued)

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates; and
(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment is its purchase cost together with any incidental costs of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the financial year in which they are incurred

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

Type of assets	**Years**
Buildings	20 - 50
Leasehold improvements	4
Furniture, fixtures and equipment	4 - 15
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount. These are recognised within "other income or expense" in the consolidated statement of profit or loss.

Capital work-in-progress is stated at cost and includes property that is being developed for future use. When commissioned, capital work-in-progress is transferred to the respective category, and depreciated in accordance with the Group's policy.

3. Significant accounting policies (continued)

Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40 “Investment Property”. Any gain or loss arising from a change in fair value is recognised in consolidated statement of profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Transfer from properties held for sale to investment properties

Certain properties held for sale are transferred to investment properties when there is a change in use of the properties and those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in consolidated profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this remeasurement is recognised in consolidated statement of profit or loss on the specific property.

Transfer from investment properties to properties held for sale

Properties are transferred from investment properties to properties held for development and sale when there is a change in use of the property. Such transfers are made at the fair value of the properties at the date of transfer and gain arising on transfer is recognised in consolidated statement of profit or loss. Fair value at the date of reclassification becomes the cost of properties transferred for subsequent accounting purposes. Subsequent to the transfer, such properties are valued at cost in accordance with the measurement policy for properties held for development and sale.

Transfer from investment properties to owner-occupied property

If an investment property becomes owner-occupied property, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Transfer from owner-occupied property to investment properties

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in consolidated statement of profit or loss.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

3. Significant accounting policies (continued)

Investment properties (continued)

Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct costs are recognised for sale of investment properties. Any gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognised in the consolidated statement of profit or loss.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than investment property, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

A cash generating unit (CGU) is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in consolidated profit or loss.

Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in consolidated statement of profit or loss in the period in which the increase occurs but only to the extent that the carrying value does not exceed the actual cost.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank and deposits held at call with banks with original maturities of three months or less, net of bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3. Significant accounting policies (continued)

Employee benefits

(a) End of service benefits to non-UAE nationals

The provision for staff terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

(b) Pension and social security policy within the U.A.E

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the consolidated statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law.

Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities. If not, they are presented as non-current liabilities.

Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when the Group transfers control over a product or service to a customer.

The Group recognises revenue based on a five step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or service to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

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

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

3. Significant accounting policies (continued)

Revenue recognition (continued)

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

Revenue is recognised in the consolidated statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

Forfeiture income

Forfeiture income is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, as per the procedures set out by the Dubai Real Estate Regulatory Authority, the customer continues to default on the contractual terms.

Service revenue

Revenue from services such as property management and facilities management related activities is recognised in the accounting period in which the services are rendered.

Leasing income

Leasing income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides operating lease incentives to its customers, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term on a straight-line basis.

Hospitality income

Rooms

Room revenue is recognised at a point in time (net of discounts and municipality fees where applicable) as and when the rooms are occupied and services are rendered to the guests.

Food and beverage

Food and beverage revenue (net of discounts and municipality fees where applicable) is recognised when orders are sold or served.

Other operating revenue

Revenue from other operating departments which are service revenue such as telephone, transportation, laundry, etc. is recognised upon rendering of service or as contracted.

3. Significant accounting policies (continued)

Finance income

Finance income is recognised in the consolidated statement of profit or loss on a time-proportion basis using the effective yield method.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Directors' remuneration

Pursuant to Article 169 of the Federal Law No. (2) of 2015 and in accordance with article of association of the Company, the Directors shall be entitled for remuneration, which shall not exceed 10% of the profit after deducting depreciation and the reserves.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. Critical accounting estimates and judgements (continued)

(a) Valuation of investment properties

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer or the internal valuation performed by the Group's finance department.

The fair values have been determined by taking into consideration market comparable and/or the discounted cash flows where the Group has on-going lease arrangements and operations. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In case where the Group does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

The key assumptions on which management has based its cash flow projections when determining the fair value of the assets are as follows:

- Discount rate based on the Group's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate based on long-term rate of growth.

Management of the Group has reviewed the assumption and methodology used by the independent registered valuer and Group's finance department and in their opinion these assumptions and methodology seems reasonable as at the reporting date considering the current economic and real estate outlook in UAE.

(b) Recoverability of investment in a joint venture and an associate ("equity accounted investees")

Recoverability of investment in equity accounted investees is an area involving significant management judgement, and requires an assessment as to whether the carrying value of the investment in equity accounted investees can be supported by the carrying value of the assets held by equity accounted investees.

For property portfolio held by equity accounted investees, management performs an internal valuation to determine the fair value using a valuation technique based on a discounted cash flow model and, when deemed necessary, also engages professionally qualified external valuers to determine the fair value of property portfolio of equity accounted investees.

In calculating the net present value of the future cash flows of properties portfolio of equity accounted investees, certain assumptions are required to be made in respect of the impairment reviews. The key assumptions on which management has based its cash flow projections when determining the recoverable amount of the assets are as follows:

- Discount rate based on the equity accounted investee's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate based on long-term rate of growth.

Management assesses the impairment for property portfolio held by equity accounted investees whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important, which could trigger an impairment review include evidence that no profits or cash flows will be generated from the related asset.

4. Critical accounting estimates and judgements (continued)

(c) IFRS 15 Revenue from contracts with customers

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following judgements:

Satisfaction of performance obligation

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time and in other cases, revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

(d) Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

(e) Valuation of properties held for development and sale

The Group reviews the properties held for development and sale to assess write down, if there is an indication of write down. The Group uses valuations carried out by an internal valuation based on the market sales data to ascertain the recoverable amount.

4. Critical accounting estimates and judgements (continued)

(f) Useful lives of property and equipment

The costs of items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. During the year, management has revisited the estimated useful lives of each asset and/ or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

The change in useful lives of the asset classes has resulted in a reduced depreciation charge of AED 3.1 million during the year.

Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives.

(g) Impairment of property and equipment

The Group determines whether there any indicators of impairment for property and equipment at each reporting date. Property and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable. The recoverable amount is higher of property and equipment fair value less cost of disposal and its value in use. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(h) Classification of properties

In the process of classifying the properties, management has made various judgements. Judgement is required in determining whether a property qualifies as an investment property, property and equipment or development property. The Group develops criteria so that it can exercise the judgement consistently in accordance with the definitions of investment property, property and equipment or development property. In making its judgement, management considered detail criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 4, in particular, the intended use of property as determined by the management.

(i) Impairment of all financial assets

The Group reviews all its financial assets to assess adequacy of the impairment provisions at least on a quarterly basis. In determining whether the impairment provisions should be recognised in the statement of consolidated profit or loss, the Group uses an allowance matrix to measure the ECLs of due from a related party and trade, contract and other receivables from individual customers, which comprise a very large number of small balances. Loss rates are based on historical actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast Brent oil price.

With regards to a receivable balance from a related party amounting to AED 412 million, the Board of Directors believes that based on the court judgement and execution proceeding this amount will be recoverable as of 31 December 2020. Accordingly, no allowance for impairment has been recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

5. Property and equipment

	Land and buildings AED'000	Leasehold improvements AED'000	Furniture, fixtures and equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
As at 1 January 2019	46,964	3,859	40,815	913	690,774	783,325
Additions	-	269	5,162	72	107,729	113,232
Disposals	-	-	(306)	(54)	-	(360)
Transfer from properties held for development and sale (Note 8)	7,268	-	-	-	132,358	139,626
Transfers	810,037	-	120,738	-	(930,775)	-
Transfer to investment properties (Note 6)	(1,434)	(124)	-	-	-	(1,558)
As at 31 December 2019	862,835	4,004	166,409	931	86	1,034,265
Additions	1,327	30	2,807	-	237	4,401
Write off	-	-	(10,108)	-	-	(10,108)
Transfer from properties held for development and sale (Note 8)	25,328	-	2,977	-	-	28,305
Transfers	-	-	86	-	(86)	-
Transfer to investment properties, net (Note 6)	(301,490)	-	(47,260)	-	-	(348,750)
As at 31 December 2020	**588,000**	**4,034**	**114,911**	**931**	**237**	**708,113**

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

5. Property and equipment (continued)

	Land and buildings AED'000	Leasehold improvements AED'000	Furniture, fixtures and equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation and impairment loss						
As at 1 January 2019	15,009	2,951	33,291	913	-	52,164
Charge for the year [Note 5 (f)]	7,038	639	6,416	16	-	14,109
Disposals	-	-	(170)	(54)	-	(224)
Transfer to investment properties (Note 6)	(161)	(54)	-	-	-	(215)
As at 31 December 2019	21,886	3,536	39,537	875	-	65,834
Charge for the year [Note 5 (f)]	9,818	352	12,053	18	-	22,241
Write off	-	-	(10,100)	-	-	(10,100)
Impairment loss [Note 5 (e)]	75,342	-	-	-	-	75,342
As at 31 December 2020	**107,046**	**3,888**	**41,490**	**893**	**-**	**153,317**
Carrying amount						
As at 31 December 2020	**480,954**	**146**	**73,421**	**38**	**237**	**554,796**
As at 31 December 2019	840,949	468	126,872	56	86	968,431

a) Land and Buildings with a carrying value of AED 323.3 million (*2019: AED 589.3 million*) are mortgaged under Islamic finance obligations (Note 16).

b) During the year, no borrowing costs has been capitalised (*2019: AED 9 million with weighted average capitalisation rate of external financing 5.2% per annum*).

c) During the year, the Group has reclassified certain units in its existing service apartment buildings amounting to AED 350.4 million (2019: AED 1.3 million) to investment properties based on change in use of those units (Note 6).

d) During the year, the Group has reclassified additional units in service apartment building amounting to AED 28.3 million *(2019: AED 132.4 million)* and no transfer was made for the residential apartment building based on change in use *(2019: AED 7.3 million)*.

e) The Group has portfolio of hospitality assets included in property and equipment against which an impairment loss has been recognised during the year amounting to AED 75.3 million *(2019: AED Nil)*. The recoverable amount of two hotel assets has been determined using the indicative fair values of the property as at 31 December 2020 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these two hotels.

Further, for one hotel, management has concluded the recoverable value is equivalent to its value in use. In determining the value in use, management has estimated expected future cash flows and determined a suitable discount rate in order to calculate the present value of those cash flows. The estimate of value in use was determined using a discount rate of 9.75% and a terminal value growth rate of 3%.

5. Property and equipment (continued)

f) The depreciation charge has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 AED'000	2019 AED'000
Direct costs (Note 22)	**16,061**	6,925
General administrative and selling expenses (Note 24)	**6,180**	7,184
	22,241	14,109

6. Investment properties

	UAE Mix use building AED'000	UAE Parking spaces AED'000	UAE Stores units AED'000	UAE Retail units AED'000	UAE Service Apartments AED'000	2020 Total AED'000	2019 Total AED'000
Fair value hierarchy	**3**	**3**	**3**	**3**	**3**		
As at 1 January	**209,287**	**70,085**	**14,045**	**220,793**	**-**	**514,210**	350,592
Additions	**267**	**246**	**-**	**3,000**	**-**	**3,513**	121
Adjustments	**-**	**-**	**-**	**(348)**	**-**	**(348)**	-
Transfers	**(7,788)**	**-**	**-**	**7,788**	**-**	**-**	-
Transfer from properties held for sale, net (Note 8)	**-**	**-**	**-**	**-**	**-**	**-**	15,613
Transfer (to)/from property and equipment, net (Note 5)	**-**	**-**	**-**	**(1,632)**	**350,382**	**348,750**	1,343
Transfer from advance for purchase of properties (Note 9)	**-**	**-**	**-**	**-**	**-**	**-**	126,823
Net (loss)/gain from fair value adjustments on investment properties	**(42,322)**	**(3,419)**	**-**	**(22,048)**	**(62,259)**	**(130,048)**	19,718
As at 31 December	**159,444**	**66,912**	**14,045**	**207,553**	**288,123**	**736,077**	514,210

Investment properties are recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

6. Investment properties (continued)

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Direct costs recognised in the consolidated statement of profit or loss includes AED 13.9 million *(2019: AED 8.9 million)* and rental income recognised in consolidated statement of profit or loss includes AED 28.8 million *(2019: AED 28.6 million)* from investment properties (Note 21 and Note 22).

Investment properties with carrying value of AED 408.6 million *(2019: AED 244.2 million)* are mortgaged against bank borrowings (Note 16).

During the year, the Group has reclassified certain units in its existing service apartment buildings amounting to AED 350.4 million from property and equipment based on change in use of those units. These units were reclassified to investment properties at their fair value and management believes that carrying amount of the units transferred is equivalent to the fair value on the date of transfer (Note 5).

During the year, the Group transferred a portion of the mix use building amounting to AED 7.8 million to retail units category based on use of these units.

Valuation processes

Retail units, parking spaces, one service apartment building and store units 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. Valuation of UAE mix use office building and remaining two service apartments buildings are 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. Discussion of valuation processes and results are held between management and the independent valuers on a regular basis.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

There has been no change to the valuation technique during the year.

6. Investment properties (continued)

Valuation processes (continued)

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	Sensitivity of management estimates Impact higher AED'000
UAE	Mix use Building	Income capitalisation	Estimated rental value	AED 80 to AED 190 per sqft per annum	(1,382)	1,382
			Discount rate	7.74%	31,564	(20,395)
		Sales comparable method	Estimated market value	AED 971 to AED 1,980 per sqft	(818)	818
UAE	Parking spaces	Sales comparable method	Estimated market value	AED 25 K to 59 K per parking space	(669)	669
UAE	Stores Units		Estimated market value	AED 150 to AED 300 per sqft	(140)	140
UAE	Retail Units		Estimated market value	AED 875 to AED 1,663 per sqft	(2,076)	2,076
UAE	One Service Apartment Buildings	Income capitalisation	Estimated earnings	AED 3 million to AED 9.8 million per annum	(962)	962
			Discount rate	9.75%	6,929	(6,349)
UAE	Two Service Apartments	Sales comparable method	Estimated market value	AED 1,061 to AED 1,230 per sqft	(1,920)	1,920

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 supported by the terms of any existing lease, other contracts or external evidence such as 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, store units and two service apartments building, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2020 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

6. Investment properties (continued)

Valuation processes (continued)

Valuation techniques underlying management's estimation of fair value: (continued)

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

Estimated earnings (per annum)	Based on the actual location, type and quality of the property and supported by the terms of any existing lease, other contracts or external evidence such as current earnings of similar properties in the market.
Cash flow discount rate	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows.

7. Investments in joint venture and an associate

	Joint Venture		**Associate**		**Total**	
	2020 AED'000	2019 AED'000	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
At 1 January	**987,039**	966,039	**363,594**	367,012	**1,350,633**	1,333,051
Share of profit/(loss)	**23,797**	21,000	**944**	(3,418)	**24,741**	17,582
Repayment	**(30,144)**	-	**-**	-	**(30,144)**	-
At 31 December	**980,692**	987,039	**364,538**	363,594	**1,345,230**	1,350,633

Investment in an associate

The Group has a 22.72% interest in Solidere International Al Zorah Equity Investments Inc ("Al Zorah"), a company registered in the Cayman Islands. The associate is a holding company investing in companies engaged in property development.

The table reconciles the summarised financial information relating to the carrying amount of the Group's interest in the associate is as follows:

	2020 AED'000	2019 AED'000
Percentage ownership interest	**22.72%**	22.72%
Net assets (100%)	**939,657**	939,822
Group's share of net assets (22.72%)	**213,490**	213,528
Adjustments (refer note (i) below)	**151,048**	150,066
Carrying amount of interest in an associate	**364,538**	363,594
Profit and total comprehensive income (100%)	**(166)**	(162)
Profit and total comprehensive income (22.72%)	**(38)**	(37)
Adjustment relating to accounting policy (refer note (i) below)	**982**	(3,381)
Group share of total profit and comprehensive income	**944**	(3,418)

(i) This mainly includes the goodwill (premium) paid on acquisition of interest in the associate and adjustment relating to alignment of associate's accounting policy to the Group's accounting policy.

7. Investments in joint ventures and an associate (continued)

Investment in a joint venture

The Group has a 50% interest in the following joint venture, which is engaged in property development. The following amounts represent the Group's 50% share of the assets, liabilities, revenue and results of the joint venture. They also include consolidation adjustments made at the Group's level to ensure uniform accounting policies.

The table reconciles the summarised financial information relating to the carrying amount of the Group's interest in the joint venture is as follows:

	2020 AED'000	2019 AED'000
Percentage ownership interest	**50%**	50%
Net assets (100%)	**1,431,772**	1,468,490
Group's share of net assets (50%)	**715,886**	734,245
Adjustments (refer note (i) below)	**264,806**	252,794
Carrying amount of interest in a joint venture	**980,692**	987,039
Revenue	**83,461**	77,335
Depreciation and amortisation	**33,047**	31,849
Profit and total comprehensive income (100%)	**15,629**	10,981
Profit and total comprehensive income (50%)	**7,814**	5,491
Adjustments relating to accounting policies (refer note (i) below)	**16,327**	15,645
Other Adjustments	**(344)**	(136)
Group share of total profit and comprehensive income	**23,797**	21,000

(i) This mainly includes the goodwill (premium) paid on acquisition of interest in the joint venture and adjustments relating to alignment of joint venture's accounting policies to the Group's accounting policies.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

8. Properties held for development and sale

	Properties held for sale AED'000	Properties under development AED'000	Land held for future development and sale AED'000	Total AED'000
As at 1 January 2019	253,985	314,673	826,799	1,395,457
Additions	-	372,792	1,586	374,378
Reversal of impairment	1,796	-	-	1,796
Transfer to properties held for sale	40,713	(40,713)	-	-
Transfer from/(to) investment properties (Note 6)	7,514	(23,127)	-	(15,613)
Transfer to property, plant and equipment (Note 5)	(7,268)	(132,358)	-	(139,626)
Sale of properties (Note 22)	(14,787)	(320,547)	-	(335,334)
As at 31 December 2019	281,953	170,720	828,385	1,281,058
As at 1 January 2020	281,953	170,720	828,385	1,281,058
Additions	160,510	128,596	1,900	291,006
Provision for impairment - net	(31,230)	(338)	(4,509)	(36,077)
Transfers	78,257	52,079	(130,336)	-
Transfer to property and equipment (Note 5)	(28,305)	-	-	(28,305)
Sale of properties (Note 22)	(44,480)	(128,770)	-	(173,250)
As at 31 December 2020	**416,705**	**222,287**	**695,440**	**1,334,432**

Management's assessment of the net realisable value of the properties held for development and sale resulted in an impairment amounting to AED 31.2 million (*2019: net reversal of impairment of AED 1.8 million).*

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.

During the year, the Company has reclassified additional units in service apartment building amounting to AED 28.3 million (*2019: AED 132.4 million*) and units in residential apartment building amounting to AED Nil (*2019: AED 7.3 million*) based on change of these units (Note 5).

In the current year, the Group has transferred a plot of land amounting to AED 130.3 million to properties under development. Further upon completion properties amounting to AED 78.3 million was transferred from properties under development to properties held for sale.

Plots of land including under development project with total carrying value of AED 869.8 million *(2019: AED 778.3 million)* and completed properties with total carrying value of AED 142.1 million *(31 December 2019: AED 157.7 million)* are mortgaged under Islamic finance obligations (Note 16).

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

8. Properties held for development and sale (continued)

In the current year, the Group has recognised an amount of AED 173.3 million *(2019: AED 335.3 million)* included in the consolidated statement of profit or loss under "direct costs" against revenue recognised of AED 227 million *(2019: AED 455.8 million)* (Note 21 and Note 22).

For plots of land held for future development and use amounting to AED 695.4 million as at the reporting date *(31 December 2019: AED 828.4 million)*, management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

9. Advance for purchase of properties

	2020	2019
	AED'000	AED'000
Advance for purchase of share in real estate project	**-**	391,749
Less: provision for impairment against advance for purchase of share in real estate project	**-**	(262,278)
	-	129,471
Less : Transferred to trade & other receivables	**-**	(2,648)
Less : Transferred to investment properties (Note 6)	**-**	(126,823)
	-	-

In previous years, the Company had entered into a Memorandum of Understanding (MoU) for purchase of its share in a portfolio of investment properties in a real estate project. The advance was recoverable by means of transfer of the Company's share of properties in the project. In 2018, the Company had signed an agreement where the parties including the Company will jointly allocate the project's assets in proportion to the share of each party in the project. The allocation of the Company's share of properties was completed in 2019 and accordingly these units were reclassified to investment properties at their fair value on the date of transfer (Note 6).

10. Trade, contract and other receivables

	2020	2019
	AED'000	AED'000
Trade and unbilled receivables (refer (i) below)	**514,832**	742,385
Other receivables (refer (ii) below)	**111,745**	102,791
	626,577	845,176
Current	**422,479**	774,235
Non-current	**204,098**	70,941
Total	**626,577**	845,176

i. Trade and unbilled receivables

	2020	2019
	AED'000	AED'000
Trade receivables		
Trade receivables within 12 months	**175,656**	378,138
Contract assets		
Unbilled receivables within 12 months	**135,078**	293,306
Unbilled receivables after 12 months	**204,098**	70,941
Total trade and unbilled receivables	**514,832**	742,385

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

10. Trade, contract and other receivables (continued)

The above trade receivables are net of provision for impairment amounting to AED 117.8 million *(2019: AED 122.1 million)* relating to trade receivables which are past due. All other trade receivables are considered recoverable.

As at 31 December 2020, trade receivables of AED 480.7 million *(2019: AED 708.8 million)* were receivable from sale of properties, and trade receivables of AED 34.1 million *(2019: AED 33.6 million)* were receivable from other streams of revenue.

The ageing analysis of these trade and unbilled receivables is as follows:

	2020 AED'000	2019 AED'000
Not due	**339,175**	364,247
Upto 3 months	**38,214**	248,832
Over 3 months	**137,443**	129,306
Net receivable	**514,832**	742,385

Movements of the Group's provision for impairment of trade receivables are as follows:

	2020 AED'000	2019 AED'000
At 1 January	**122,052**	116,115
(Reversal)/provision for impairment	**(4,205)**	5,937
At 31 December	**117,847**	122,052

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold or post-dated cheques as security.

ii. Other receivables

	2020 AED'000	2019 AED'000
Advances to contractors	**22,177**	22,891
Advances to suppliers	**6,891**	14,844
Prepayments	**8,906**	8,317
Others	**74,145**	57,111
	112,119	103,163
Less: provision for impairment	**(374)**	(372)
	111,745	102,791

11. Related party transactions and balances

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise entities under common ownership and/or common management and control, and key management personnel.

(a) Related party transactions

During the year, the Group entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Group's management.

	2020 **AED'000**	2019 AED'000
Ultimate majority shareholder		
Other operating income/finance income	**2,937**	2,488
Finance cost	**16,355**	22,369
Borrowings drawdown	**60,350**	151,500
Borrowings repayments	**239,349**	113,858

(b) Remuneration of key management personnel

	2020 **AED'000**	2019 AED'000
Salaries and other short term employee benefits	**13,938**	14,322
Termination and post-employment benefits	**423**	461
Board of Directors' remuneration	**-**	1,288
	14,361	16,071

In the current year, no provision for the Board of Directors' remuneration was recognised (*2019: provision of AED 1.3 million*). During the year, an additional provision for the Board of Directors' remuneration amounting to AED 1.4 million was recognised (*2019: AED 0.6 million*) based on the final approval of the shareholders in the Annual General Meeting dated 8 April 2020.

(c) Due from related parties comprises:

	2020 **AED'000**	2019 AED'000
Current		
Due from a joint venture	**1,473**	8,412
Due from other related parties [Note 18(i)]	**962,046**	1,200,127
	963,519	1,208,539
Less: provision for impairment	**(396,475)**	(396,532)
	567,044	812,007

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 195 million *(2019: AED 142 million)* and fixed deposits of AED 100 million *(2019: AED 205 million)*, at market prevailing profit rates.

In 2010, the Group entered into a sale and purchase agreement with a related party ("the purchaser") to sell properties for a sale consideration agreed on by both parties as per the initial agreement of AED 3,648 million.

11. Related party transactions and balances (continued)

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

i. During the year, Group has entered into amendments agreement with the related party pertaining to certain properties. These properties were under dispute with UAE based developer ("a related party") against which in the prior year, the Group has received a favourable court judgment to the extent of AED 412 million plus compensation and cumulative legal interests for which the execution is currently under process as at the reporting date. Accordingly, a balance of AED 412 million is now presented as due from a related party.

ii. Following these amendments and various previous amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 31 December 2020 is AED 516.6 million (*31 December 2019: AED 1,198.7 million*) against which a provision for impairment amounting to AED 362.9 million exists. The outstanding balance based on the last amendment effective from 31 December 2019, is to be settled by the purchaser no later than 31 December 2021.

Impairment provision

To determine the provision for impairment, management applied certain key assumptions and judgments in accordance with IFRS 9 - *Financial Instruments* in order to determine the expected credit loss which includes the use of various forward-looking information that could impact the timing and/or amount of recoveries.

(d) Due to related parties comprises:

	2020	2019
	AED'000	AED'000
Current		
Due to a significant shareholder	**133**	247
Due to other related parties	**397**	1,553
	530	1,800

At 31 December 2020, the Group had bank borrowings from the ultimate majority shareholder of AED 289.8 million *(2019: AED 468.8 million)* at market prevailing profit rates (Note 16).

12. Cash and bank balances

	2020	2019
	AED'000	AED'000
Cash and bank balances including call deposits	**267,784**	179,860
Fixed deposits	**151,544**	281,740
Cash in hand	**371**	173
	419,699	461,773
Less : provision for impairment	**(4,644)**	(4,975)
	415,055	456,798
Less: long term fixed deposits with a financial institution - net (i)	**(39,780)**	(40,863)
Cash and bank balances	**375,275**	415,935
Less: deposits with original maturity more than three months	**(54,966)**	(51,916)
Cash and cash equivalents	**320,309**	364,019

12. Cash and bank balances (continued)

Bank accounts include balance of AED 88 million *(31 December 2019: AED 70.6 million)* and fixed deposits of AED 20 million *(31 December 2019: AED 130 million)* at market prevailing profit rates held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of development properties.

Bank account balance of AED Nil *(31 December 2019: AED 0.14 million)* pertaining to a certain association being managed by a third party is not included in the above bank balances. Bank account balance of AED Nil (*2019: 2.04 million*) pertaining to a certain association maintained for the benefit of a third party property developer is not included in the above bank balances.

Bank accounts balance include balance of AED 43.8 million *(2019: 21.01 million)* in its own name, held in a fiduciary capacity on behalf and for the beneficial interest of third parties, which are recorded in these consolidated financial statements.

i. Long term fixed deposits

In previous years, the Company had placed Wakala deposit amounting to AED 101 million with a financial institution for a period of 12 years with quarterly repayments. Based on the key terms of the revised agreement signed in the current year, management has recognised an impairment charge of AED 12.1 million and present value impact of AED 3.9 million on the fixed deposit. As at reporting date, the Company has cumulatively received an amount of AED 41.1 million *(2019: AED 39.2 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 and against which a provision for impairment amounting to AED 4.3 million *(2019: AED 5 million)* at the reporting date has been recognised in accordance with the requirements of IFRS 9 - *Financial Instruments*.

13. Equity instrument at fair value through other comprehensive income

Investment in a real estate investment trust (REIT)	**2020** **AED'000**	2019 AED'000
1 January	**10,865**	17,635
Change in fair value	**(7,452)**	(6,770)
31 December	**3,413**	10,865

14. Share capital

At 31 December 2020 and December 2019, share capital comprised of 5,778,000,000 shares of AED 1 each. All shares are authorised, issued and fully paid up.

15. Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the profit for the year is transferred to a legal reserve, which is not distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital.

16. Borrowings

	2020 AED'000	2019 AED'000
Islamic finance obligations		
Current	**121,170**	289,544
Non-current	**705,330**	691,761
Total borrowings	**826,500**	981,305

	AED'000
1 January 2019	1,013,833
Drawn down	215,436
Repayments	(247,964)
31 December 2019	981,305
Drawn down	112,495
Repayments	(267,300)
31 December 2020	**826,500**

Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (ultimate majority shareholder) (Note 11), and from other local banks. The facilities were availed to finance the properties under construction and working capital requirements. Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of one to ten years from the reporting date *(2019: one to eleven years)*.

Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale (Note 8), property and equipment (Note 5) and investment properties (Note 6). Further, certain facilities with banks are subject to financial covenants.

17. Advances from customers

Advances from customers comprise of payments received from sale of properties. The revenues have not been recognised in the consolidated statements of profit or loss, in line with the revenue recognition policy of the Group consistent with the IFRSs.

18. Trade and other payables

	2020 AED'000	2019 AED'000
Trade payables	**45,542**	35,472
Payables for purchase of plots (i)	**-**	241,490
Accrued Islamic facilities charges	**3,805**	3,474
Project cost accruals	**52,439**	85,010
Other payables and accrued expenses	**235,199**	218,151
	336,985	583,597

(i) Certain properties sold to a related party were under dispute with a UAE based developer ("a related party) against which in the prior year, the Group received a favourable court judgment and accordingly, execution proceedings were initiated in the current year. Since this amount is no more payable and therefore, the same was adjusted against the receivable from the related party. [Note 11 (c)].

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

19. Retentions payable

	2020 AED'000	2019 AED'000
Non-current portion	**8,015**	18,609
Current portion	**70,651**	76,203
	78,666	94,812

Retention payables represents amounts withheld in accordance with the terms of the contract progress payments are made to the contractors. Non-current retention are due to be paid to contractors within 1 to 2 years from the reporting date.

20. Provision for employees' end of service benefits

	2020 AED'000	2019 AED'000
At 1 January	**14,909**	13,893
Charge for the year	**2,363**	2,838
Payments	**(2,567)**	(1,822)
At 31 December	**14,705**	14,909

The provision for employees' end of service benefits, disclosed as non-current liability, is calculated in accordance with the UAE Federal Labour Law.

21. Revenue

	2020 AED'000	2019 AED'000
Property development activities		
Sale of properties	**226,942**	455,777
Leasing income	**30,314**	29,585
	257,256	485,362
Properties, facilities and association management		
Property management	**39,100**	41,882
Facilities and association management	**67,783**	53,685
	106,883	95,567
Hospitality	**48,720**	22,820
	412,859	603,749

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
Sale of properties	27,212	12,006	18,010	**57,228**

The Group applies the practical expedient as per IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

22. Direct costs

	2020 **AED'000**	2019 AED'000
Cost of sale of properties (Note 8)	**173,250**	335,334
Direct cost of facility management (i)	**49,780**	42,819
Direct cost of hospitality (ii)	**26,069**	14,383
Direct cost of leasing properties	**11,329**	6,823
Others	**265**	345
	260,693	399,704

(i) Facilities management costs include staff costs amounting to AED 20.3 million *(2019: AED 21.1 million)* and depreciation charge amounting to AED 0.6 million (*2019: AED Nil*).

(ii) Hospitality costs include staff costs amounting to AED 5 million *(2019: AED 4 million)* and depreciation charge amounting to AED 15.4 million *(2019: AED 6.9 million)*.

The Group expects the incremental cost, which mainly includes sales commission, incurred as a result of obtaining contracts to be recoverable and accordingly these costs are capitalised. The capitalised costs are amortised when the related revenues are recognised.

Applying the practical expedient as per IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised in one year or less.

23. Other operating income

	2020 **AED'000**	2019 AED'000
Write back of provisions and liabilities no longer payable	**23,875**	6,235
Others	**9,550**	7,609
	33,425	13,844

24. General administrative and selling expenses

	2020 **AED'000**	2019 AED'000
Staff costs (Note 25)	**72,790**	83,611
Marketing and selling expenses	**18,229**	22,903
Depreciation [Note 5(f)]	**6,180**	7,184
Legal and professional charges	**5,017**	4,331
Rent expenses	**1,704**	1,818
Pre-opening expenses	**700**	12,827
Social contributions	**-**	138
(Reversal)/provision of impairment against trade, contract and other financial assets	**(3,038)**	8,279
Others	**47,496**	23,638
	149,078	164,729

25. Staff costs

	2020 AED'000	2019 AED'000
Payroll cost	**56,591**	59,841
End of service benefits	**1,878**	2,838
Pension and social security contributions	**719**	684
Other benefits	**13,602**	20,248
	72,790	83,611

26. Provision/expense against claims

This includes legal claim made by customers against the Group for refund of partial payments made to purchase certain property units. In accordance with Law No. 13 of 2008 and its subsequent amendment through Law No. 9 of 2009 applicable in the Emirate of Dubai, the Group had earlier forfeited these amounts due to failure of customers to pay the outstanding balances as per the Sale and Purchase Agreement. This also includes provision made for potential claim by third parties towards services being rendered by the Company.

The Group 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, this information may be prejudicial to their position on these matters.

27. Finance cost

	2020 AED'000	2019 AED'000
Finance cost on bank borrowings	**(36,889)**	(30,207)
Finance income from short-term bank deposits	**3,205**	8,446
Present value impact on non-current financial assets	**1,699**	(995)
Total finance income	**4,904**	7,451
Net finance cost	**(31,985)**	(22,756)

28. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares, if any.

	2020	2019
Loss/profit attributable to equity holders of the Company (AED'000)	**(216,923)**	71,537
Weighted average number of ordinary shares in issue (thousands)	**5,778,000**	5,778,000
Earnings per share (fils)	**(3.75)**	1.24

Diluted

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

29. Cash flow from operating activities

	2020 **AED'000**	2019 AED'000
(Loss)/profit for the year	**(216,923)**	71,537
Adjustments for:		
Depreciation [Note 5(f)]	**22,241**	14,109
Provision for employees' end of service benefits (Note 20)	**2,363**	2,838
Impairment/(reversal) of impairment of properties held for development and sale, net (Note 8)	**36,077**	(1,796)
(Reversal)/impairment against trade receivables, contract and other financial assets and related parties (Note 24)	**(3,038)**	8,279
Reversal of impairment against advance for purchase of properties (Note 9)	**-**	(3,590)
Provision/expense against claims	**4,725**	1,553
Finance income (Note 27)	**(4,904)**	(8,446)
Finance cost (Note 27)	**36,889**	31,202
Share of results from an associate and a joint venture (Note 7)	**(24,741)**	(17,582)
Impairment loss against property and equipment [Note 5(e)]	**75,342**	-
Loss/(gain) on fair valuation of investment property (Note 6)	**130,048**	(19,718)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	**58,079**	78,386
Payment of employees' end of service benefits (Note 20)	**(2,567)**	(1,822)
Changes in working capital:		
Properties held for development and sale (net of project cost accruals)	**(144,626)**	(55,797)
Retention payable - non-current (Note 19)	**(10,594)**	(11,077)
Retention payable - current (Note 19)	**(5,552)**	42,553
Trade, contract and other receivables - non-current	**(133,157)**	(53,760)
Trade, contract and other receivables - current	**353,807**	(17,705)
Advances from customers	**(14,688)**	15,008
Inventories	**(310)**	435
Due from related parties [Note 11 (c)]	**3,488**	(3,320)
Trade and other payables [Note 18 (i)]	**18,548**	(25,943)
Due to related parties	**(1,270)**	339
Net cash generated from/(used in) operating activities	**121,158**	(32,703)

30. Commitments

At 31 December 2020, the Group had total commitments of AED 359.1 million *(2019: AED 109.4 million)* with respect to project related contracts issued net of invoices received and accruals made at that date.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

31. Contingencies

At 31 December 2020, 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 87.3 *(2019: AED 7.7 million)*. 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 *(2019: AED 3.4 million)*. The Group anticipates that no material liabilities will arise from these performance and other guarantees.

The Group 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.

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.

Further, certain properties were under dispute with UAE based developer ("a related party") against which in the prior year, the Group has received a favourable judgment by the Court of Cassation which upheld a ruling made by the Court of Appeal confirming Dubai Court of First Instance's judgement to terminate all sale and purchase agreements of lands under dispute and had also ordered counterparty to return all amounts paid, to the tune of AED 412 million plus pay a compensation of AED 61 million as well as 9% legal interest accruing from the date of filing the case.

During the current year, the execution of the court judgement has been handed over to a special committee by virtue of resolution number 12 of 2020 passed by the Government of Dubai. Subsequent to the year end, on 15 February 2021, the special committee has decided that the special committee has no jurisdiction over the case and has transfer the case to the court of execution. Accordingly, management has submitted an application to the court of execution to proceed with the execution process.

32. 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 the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: Property development, Properties and facilities management and Hospitality related activities.

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.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

32. Segmental information (continued)

Operating segment (continued)

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
31 December 2020				
Segment revenues - external	**257,256**	**106,883**	**48,720**	**412,859**
Segment profit	**(228,542)**	**17,672**	**(6,053)**	**(216,923)**
Segment assets	**4,423,150**	**352,353**	**809,656**	**5,585,159**
Segment liabilities	**1,122,855**	**134,186**	**16,154**	**1,273,195**
31 December 2019				
Segment revenues - external	485,362	95,567	22,820	603,749
Segment profit	72,365	12,475	(13,303)	71,537
Segment assets	4,998,561	300,522	942,320	6,241,403
Segment liabilities	1,514,953	162,028	26,669	1,703,650

Revenue from property development activities are recognised over time and revenue from properties, facilities management and hospitality activities are recognised at a point in time.

Geographic information

The carrying amount of the total assets located outside the United Arab Emirates as at 31 December 2020 is AED 3 million *(2019: AED 3.3 million)*.

33. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management under policies approved by the Board of Directors. Management evaluates financial risks in close co-ordination with the Group's operating units.

Market risk

Currency risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED, US Dollars or other currencies, whereby the AED or other currencies are pegged to the US Dollar.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

33. Financial risk management (continued)

Market risk (continued)

Price risk

The Group is exposed to equity securities price risk through investments held by the Group and classified as equity instrument at fair value.

Cash flow and fair value interest rate risk

The Group has an insignificant interest rate risk arising from interest bearing bank deposits. Bank deposits are placed with banks at fixed rates. The Group's exposure to interest rate risk relates primarily to its borrowings with floating interest rates.

At 31 December 2020, if profit rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 7.7 million lower/higher *(2019: profit for the year would have been AED 5.4 million lower/higher)*, mainly as a result of higher/lower interest expense on floating rate borrowings.

Derivative financial instrument

In the previous year, the Group entered into profit rate swap agreement in order to hedge its exposure against profit rate risk. The table below shows the fair values of derivative financial instrument, which is equivalent to the market value, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivative is measured. The notional amount indicates the volume of transactions outstanding at the reporting date and are neither indicative of the market nor credit risk.

	2020 AED'000 Fair value	**2020 AED'000 Notional amount**	2019 AED'000 Fair value	2019 AED'000 Notional amount
Profit rate swap	**(0.2)**	**142,500**	(17)	237,500
	(0.2)	**142,500**	(17)	237,500

The fair value as at reporting date is categorised as level 3 in fair value hierarchy.

Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade, contract and other receivables (excluding advances and prepayments), due from related parties, cash at bank and bank deposits. Trade receivables are made to customers with an appropriate credit history. The Group has no other significant concentrations of credit risk. Bank deposits are limited to high-credit-quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure at the reporting date. The maximum exposure to credit risk at the reporting date was:

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

33. Financial risk management (continued)

Credit risk (continued)

	2020 AED'000	2019 AED'000
Long term fixed deposits	**39,780**	40,863
Trade, contract and other receivables (excluding advances and prepayments)	**588,603**	797,627
Due from related parties	**567,044**	812,007
Bank balances	**374,904**	415,762
	1,570,331	2,066,259

Liquidity risk

The Group monitors its risk of a possible shortage of funds using cash flow forecasts. These forecasts consider the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. The tables below summarises the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual collections and payments.

			------- Contractual cash flows -------		
	Carrying amount AED'000	**Contractual cash flows AED'000**	**Within 1 year AED'000**	**2 to 5 Years AED'000**	**More than 5 years AED'000**
As at 31 December 2020					
Borrowings	826,500	861,783	130,457	489,527	241,799
Trade and other payables	336,985	336,985	336,985	-	-
Retentions payable	78,666	78,666	70,651	8,015	-
	1,242,151	**1,277,434**	**538,093**	**497,542**	**241,799**
As at 31 December 2019					
Borrowings	981,305	1,132,119	324,691	539,558	267,870
Trade and other payables	583,597	583,597	583,597	-	-
Retentions payable	94,812	94,812	76,203	18,609	-
	1,659,714	1,810,528	984,491	558,167	267,870

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

33. Financial risk management (continued)

Fair value estimation

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).

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2020				
Equity instrument at fair value through other comprehensive income	**3,413**	**-**	**-**	**3,413**
As at 31 December 2019				
Equity instrument at fair value through other comprehensive income	10,865	-	-	10,865

The carrying value less impairment provision of trade, contract and other receivables and due from related parties approximates their fair values keeping in view the period over which these are expected to be realised. Financial liabilities approximate their fair values.

33. Financial risk management (continued)

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

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2020			
Assets as per statement of financial position			
Equity instrument at fair value other comprehensive income	-	3,413	3,413
Trade, contract and other receivables (excluding advances and prepayments)	588,603	-	588,603
Due from related parties	567,044	-	567,044
Long term fixed deposits	39,780	-	39,780
Bank balances	374,904	-	374,904
	1,570,331	**3,413**	**1,573,744**
Liabilities as per statement of financial position			
Trade and other payables	336,985	-	336,985
Retentions payable	78,666	-	78,666
Borrowings	826,500	-	826,500
	1,242,151	**-**	**1,242,151**
31 December 2019			
Assets as per statement of financial position			
Equity instrument at fair value other comprehensive income	-	10,865	10,865
Trade, contract and other receivables	797,627	-	797,627
Due from related parties	812,007	-	812,007
Long term fixed deposits	40,863	-	40,863
Bank balances	415,762	-	415,762
	2,066,259	10,865	2,077,124
31 December 2019			
Liabilities as per statement of financial position			
Trade and other payables	583,597	-	583,597
Retentions payable	94,812	-	94,812
Borrowings	981,305	-	981,305
	1,659,714	-	1,659,714

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

34. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximise returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Group is not subject to any externally imposed capital requirements.

35. Subsidiaries and equity accounted investees entities

Name of entity	Country of incorporation	Effective ownership	Principal activities
Subsidiaries			
Deyaar Facilities Management LLC	UAE	100%	Facility management services
Nationwide Realtors LLC*	UAE	100%	Brokerage and other related services
Deyaar Hospitality LLC	UAE	100%	Property Investment and Development
Deyaar International LLC *	UAE	100%	Real Estate Consultancy
Deyaar Ventures LLC *	UAE	100%	Property Investment and Development
Flamingo Creek LLC *	UAE	100%	Property Investment and Development
Beirut Bay Sal *	Lebanon	100%	Property Investment and Development
Deyaar West Asia Cooperatief U.A. *	Netherlands	100%	Investment Holding Company
Deyaar Development Cooperation *	USA	100%	Property Investment and Development
Deyaar AL Tawassol Lil Tatweer Aleqare Co. *	KSA	100%	Property Investment and Development
Deyaar Limited *	UAE	100%	Property Investment and Development
Deyaar Community Management LLC	UAE	100%	Owners Association Management
Deyaar Property Management LLC	UAE	100%	Property Management
Montrose L.L.C *	UAE	100%	Buying, Selling and Real Estate Development
The Atria L.L.C	UAE	100%	Hotel Management
Deyaar One Person Holding LLC*	UAE	100%	Investment in Commercial/Industrial Enterprise & Management

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

35. Subsidiaries and equity accounted investees entities (continued)

Name of entity	Country of incorporation	Effective ownership	Principal activities
Subsidiaries (continued)			
Bella Rose Real Estate Development L.L.C	UAE	100%	Buying, selling and real estate development
Nationwide Management Services LLC	UAE	100%	District cooling services
Al Barsha LLC	UAE	100%	Hotel & Hotel Apartments Rental
Mont Rose FZ-LLC	UAE	100%	Hotels & Leisure services
Joint Venture			
Arady Developments LLC	UAE	50%	Property Investment and Development
Associate			
SI Al Zorah Equity Investments Inc.	Cayman Islands	22.72%	Property Investment and Development

***** These entities did not carry out any commercial activities during the year.

36. Investment in shares

During the year, the Group has not purchased or invested in any shares.

37. Impact of COVID-19

The outbreak of novel coronavirus (Covid-19) pandemic in early 2020 has either directly or indirectly impacted all businesses. Measures to prevent transmission of the virus has an immediate impact on businesses, which then affects supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Implications of reduced economic activity on financial reporting should be considered by all companies. As the Group is essentially engaged in property development, hospitality and facilities management, short term impact has been experienced however, management continues to have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future.

The duration and impact of the COVID-19 pandemic remains unclear at this point in time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. Given the unpredictable outcome of this pandemic, the Group will continue to monitor and assess the situation and keep adjusting its critical judgements and estimates including the inputs used for expected credit loss, macroeconomic factors, valuation of property and equipment, and investment properties, as necessary, during the course of 2021.

38. Reclassification

Certain comparative figures have been regrouped/reclassified to conform to the presentation adopted in these consolidated financial statements. The reclassification does not have any effect on the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.