# Deyaar Development PJSC

## Consolidated financial statements
**For the year ended 31 December 2021**

# Deyaar Development PJSC

## Consolidated financial statements for the year ended 31 December 2021


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# 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 2021.

## 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 2021 is AED 497 million (2020: AED 413 million) and profit for the year amounted to AED 51 million (2020: loss AED 217 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 75.8 million compared to previous year, the Group has recorded profit before fair value adjustments and impairment losses amounting to AED 63.1 million for the year ended 31 December 2021 (2020: AED 24.5 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 consolidated financial statements for the year ended 31 December 2021 have been audited by Deloitte & Touche (M.E.), who were appointed as auditors of the Company at the Annual General Meeting held on 4th April 2021.

On behalf of the Board

..........................................
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 2021, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, 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 2021, 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…

**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 sale of AED 1,521 million, which comprise completed residential and commercial properties (AED 333 million), land held for mixed-use development and sale (AED 689 million) and properties under development (AED 499 million) (Note 8).<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>We considered if there were any properties which had not been considered for an assessment of the recoverable amount by management.<br><br>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.<br><br>We tested the data provided to the valuer by the Group, on a sample basis.<br><br>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.<br><br>We assessed and challenged the underlying key assumptions used in the recoverable amount assessment.<br><br>We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of the recoverable amount.<br><br>We reperformed the arithmetical accuracy of the determination of recoverable amounts.<br><br>We assessed the disclosures made relating to this matter 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 investment properties** | |
| The Group's investment properties portfolio is carried at AED 758 million in the consolidated statement of financial position and the net fair value gain recorded in the consolidated statement of profit or loss is AED 8 million (Note 6).<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>We tested the data provided to the valuer by the Group, on a sample basis.<br><br>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.<br><br>We assessed and challenged the underlying key assumptions used in the recoverable amount assessment.<br><br>We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.<br><br>We reperformed the arithmetical accuracy of the determination of recoverable amounts.<br><br>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 a 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 498 million is included in the total carrying value of Group's property and equipment amounting to AED 536 million. (Note 5).<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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 controls over the process of assessing indicators of impairment of property and equipment.<br><br>We considered if there were any hotel properties which had not been considered for an assessment of the recoverable amount by management.<br><br>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.<br><br>We tested the data provided to the valuer by the Group, on a sample basis.<br><br>We assessed and challenged the underlying key assumptions used in the recoverable amount assessment.<br><br>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.<br><br>We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of the recoverable amount.<br><br>We reperformed the arithmetical accuracy of the determination of recoverable amounts.<br><br>We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs. |

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**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 and against which no allowance for impairment has been recognised (Note 11).<br><br>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.<br><br>During the current year, the Group and the related party are having an ongoing dialogue to reach a settlement. Accordingly, the Board of Directors by majority resolved to suspend the execution proceedings based on the court judgement against the related party. Management submitted an application to the court of execution to resume the execution process on 18 February 2022.<br><br>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.<br><br>We assessed the design and implementation of controls over the assessment of the amount recognized as being due from the related party.<br><br>We reviewed the supporting documents evidencing the ongoing dialogue between the Group and the related party to reach a settlement and the documents supporting the suspension of the execution.<br><br>We reviewed the application to the court of execution to resume the execution proceedings based on the court judgement against the related party.<br><br>We evaluated the significant judgements applied and estimates made by management in their determination of the balance due from a related party.<br><br>We have discussed this matter with the internal and external legal counsel who are representing the Group in this matter.<br><br>We performed scenarios analyses on the significant assumptions to evaluate the extent of their impact on the determination of the recoverability of the balance due from a related party.<br><br>We assessed the disclosures made relating to this matter to determine if they were in accordance with the requirements of IFRSs. |

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**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 auditors' report thereon. We obtained the Director's Report, at the date of our auditors' report, and we expect to obtain the remaining sections of the Annual report after the date of the auditors' report.

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 (as amended), 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.

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

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.
- 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.

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**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 (as amended), we report that for the year ended 31 December 2021:

- 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 (as amended);
- 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 2021;
- 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) 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 2021; 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
24 February 2022
Dubai
United Arab Emirates

## Consolidated statement of financial position
## As at 31 December 2021

| | Notes | 2021 AED'000 | 2020 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | **535,688** | 554,796 |
| Investment properties | 6 | **758,231** | 736,077 |
| Investments in a joint venture and an associate | 7 | **1,364,570** | 1,345,230 |
| Trade, contract and other receivables | 10 | **143,615** | 204,098 |
| Long term fixed deposits | 9 | **-** | 39,780 |
| Equity instrument at fair value through other comprehensive income | 13 | **5,461** | 3,413 |
| | | **2,807,565** | 2,883,394 |
| **Current assets** | | | |
| Properties held for development and sale | 8 | **1,520,597** | 1,334,432 |
| Inventories | | **2,430** | 2,535 |
| Trade, contract and other receivables | 10 | **583,227** | 422,479 |
| Due from related parties | 11(c) | **414,154** | 567,044 |
| Cash and bank balances | 12 | **463,544** | 375,275 |
| | | **2,983,952** | 2,701,765 |
| **Total assets** | | **5,791,517** | 5,585,159 |
| **EQUITY** | | | |
| Share capital | 14 | **5,778,000** | 5,778,000 |
| Legal reserve | 15 | **303,438** | 298,358 |
| Equity instruments fair valuation reserve | 13 | **(13,874)** | (15,922) |
| Accumulated losses | | **(1,705,600)** | (1,748,472) |
| **Total equity** | | **4,361,964** | 4,311,964 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | **716,257** | 705,330 |
| Retentions payable | 19 | **4,270** | 8,015 |
| Provision for employees' end of service benefits | 20 | **15,096** | 14,705 |
| | | **735,623** | 728,050 |
| **Current liabilities** | | | |
| Borrowings | 16 | **78,928** | 121,170 |
| Advances from customers | 17 | **142,486** | 10,329 |
| Trade and other payables | 18 | **424,053** | 336,985 |
| Retentions payable | 19 | **42,386** | 70,651 |
| Provision for claims | 26 | **5,320** | 5,480 |
| Due to related parties | 11(d) | **757** | 530 |
| | | **693,930** | 545,145 |
| **Total liabilities** | | **1,429,553** | 1,273,195 |
| **Total equity and liabilities** | | **5,791,517** | 5,585,159 |

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 by the Board of Directors on 24 February 2022 and were signed on its behalf 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.

H.R

## Consolidated statement of profit or loss
## For the year ended 31 December 2021

| | Notes | 2021<br>AED'000 | 2020<br>AED'000 |
|---|---|---|---|
| Revenue | 21 | **496,955** | 412,859 |
| Direct costs | 22 | **(315,056)** | (260,693) |
| General administrative and selling expenses | 24 | **(160,931)** | (149,078) |
| Other operating income | 23 | **16,723** | 33,425 |
| Finance cost | 27 | **(31,921)** | (36,889) |
| Provision/expense against claims | 26 | **(946)** | (4,725) |
| Finance income | 27 | **3,980** | 4,904 |
| Share of results from a joint venture and an associate | 7 | **54,340** | 24,741 |
| **Profit before fair value adjustments & impairment losses** | | **63,144** | 24,544 |
| Impairment against properties held for sale | 8 | **-** | (36,077) |
| Loss on derecognition of fixed deposits | 9 | **(19,999)** | - |
| Gain/(loss) from fair valuation on investment properties | 6 | **7,657** | (130,048) |
| Impairment against property and equipment | 5 | **-** | (75,342) |
| **Profit/(loss) for the year** | | **50,802** | (216,923) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **50,802** | (216,923) |
| | | **50,802** | (216,923) |
| Earnings/(loss) per share attributable to the owners of the Company during the year - basic and diluted | 28 | **Fils 0.88** | Fils (3.75) |

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

## Consolidated statement of other comprehensive income
## For the year ended 31 December 2021

| | Note | 2021 AED'000 | 2020 AED'000 |
|---|---|---|---|
| Profit/(loss) for the year | | **50,802** | (216,923) |
| **Other comprehensive income/(loss)** | | | |
| ***Item that will not be subsequently reclassified to profit or loss:*** | | | |
| Equity instrument at fair value through other comprehensive income/(loss) - net change in fair value | 13 | **2,048** | (7,452) |
| **Other comprehensive income/(loss) for the year** | | **2,048** | (7,452) |
| **Total comprehensive income/(loss) for the year** | | **52,850** | (224,375) |
| **Attributable to:** | | | |
| Owners of the Company | | **52,850** | (224,375) |
| **Total comprehensive income/(loss) for the year** | | **52,850** | (224,375) |

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

## Consolidated statement of changes in equity
## For the year ended 31 December 2021

| | 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 2020 | 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) |
| Adjustments to Board of Directors' remuneration | - | - | - | (1,412) | (1,412) |
| Balance at 31 December 2020 | 5,778,000 | 298,358 | (15,922) | (1,748,472) | 4,311,964 |
| *Total comprehensive income for the year* | | | | | |
| Profit for the year | - | - | - | 50,802 | 50,802 |
| Other comprehensive profit for the year | - | - | 2,048 | - | 2,048 |
| Total comprehensive profit for the year | - | - | 2,048 | 50,802 | 52,850 |
| Transfer to legal reserve | - | 5,080 | - | (5,080) | - |
| Board of Directors' remuneration (Note 11(b)) | - | - | - | (2,850) | (2,850) |
| **Balance at 31 December 2021** | **5,778,000** | **303,438** | **(13,874)** | **(1,705,600)** | **4,361,964** |

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

## Consolidated statement of cash flows
## For the year ended 31 December 2021

| | Notes | 2021 AED'000 | 2020 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Net cash generated from operating activities** | 29 | **91,911** | 121,158 |
| | | | |
| **Cash flows from investing activities** | | | |
| Additions to property and equipment - net | 5 | **(1,612)** | (4,401) |
| Additions to investment properties - net | 6 | **(1,134)** | (3,513) |
| Adjustment to investment properties | | **-** | 348 |
| Repayment from joint venture | 7 | **24,777** | 30,144 |
| Dividend from joint venture | 7 | **10,223** | - |
| Net movement in term deposits with an original maturity after three months | | **13,445** | (1,270) |
| Income from deposits | | **4,319** | 5,518 |
| **Net cash generated from investing activities** | | **50,018** | 26,826 |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | **(657,722)** | (267,300) |
| Drawdown of borrowings | | **626,407** | 112,495 |
| Finance cost paid | | **(32,904)** | (36,558) |
| **Net cash used in financing activities** | | **(64,219)** | (191,363) |
| | | | |
| **Increase/(decrease) in cash and cash equivalents** | | **77,710** | (43,379) |
| Cash and cash equivalents, beginning of the year | | **320,309** | 364,019 |
| Charge/(reversal) of impairment on bank balances | | **9** | (331) |
| **Cash and cash equivalents, end of the year** | 12 | **398,028** | 320,309 |

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

**Notes to the consolidated financial statements**
**For the year ended 31 December 2021**

## 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.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

### (a) New and revised IFRSs and interpretations 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 2021, have been adopted in these consolidated financial statements.

In the current year, the Group has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to phase 2 of interest rate benchmark reforms.
- Amendments of IFRS 16 *Leases* relating to Covid-19 Related Rent Concessions

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2021.

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

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective.

| New and revised IFRS | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 16 *Property, plant and equipment* relating to proceeds before intended use. | 1 January 2022 |
| Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to onerous contracts. | 1 January 2022 |

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

**(c) New and revised IFRSs in issue but not yet effective and not early adopted**

| **New and revised IFRSs** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to IFRS 3 *Business Combinations* relating to reference to conceptual framework | 1 January 2022 |
| Annual improvements to IFRS standards 2018 – 2020 | 1 January 2022 |
| Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and errors* | 1 January 2023 |
| Amendments to IAS 1 *Presentation of Financial Statements* relating to classification of Liabilities as Current or Non-Current | 1 January 2023 |
| IFRS 17 *Insurance Contracts* and Amendment to IFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9 | 1 January 2023 |
| Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 | 1 January 2023 |
| Amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to treatment of sale or contribution of assets from investors | Effective date deferred indefinitely. |

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 all years presented, unless otherwise stated.

**Basis of preparation**

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

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 consolidated financial statements of the Group are presented in thousands of United Arab Emirates Dirhams ("AED'000") which is the Group's functional and presentation currency.

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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

### 3. Significant accounting policies (continued)

**Basis of consolidation (continued)**

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.

**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.

**3. Significant accounting policies (continued)**

**Investments in a joint venture and an associate (continued)**

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

***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.

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.

**3. Significant accounting policies (continued)**

***IFRS 9 Financial instruments (continued)***

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

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.

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.

## 3. Significant accounting policies (continued)

***IFRS 9 Financial instruments (continued)***

### b) Impairment (continued)

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.

*Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group) Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**3. Significant accounting policies (continued)**

***IFRS 9 Financial instruments (continued)***

**b) Impairment (continued)**

*Write off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated profit or loss.

*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.

*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 that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event (see definition of default above)
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

*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.

**3. Significant accounting policies (continued)**

***IFRS 9 Financial instruments (continued)***

**c) Derecognition (continued)**

**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.

*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.

**3. Significant accounting policies (continued)**

***IFRS 9 Financial instruments (continued)***

**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".

*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.

**3. Significant accounting policies (continued)**

**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 | 50 |
| Leasehold improvements | 6 |
| Furniture, fixtures and equipment | 5 - 15 |
| Motor vehicles | 6 |

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.

**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.

**3. Significant accounting policies (continued)**

**Investment properties (continued)**

*Measurement (continued)*

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.

*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.

**3. Significant accounting policies (continued)**

**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.

**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.

**3. Significant accounting policies (continued)**

**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.

**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.

**3. Significant accounting policies (continued)**

**Revenue recognition (continued)**

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.

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.

## 3. Significant accounting policies (continued)

### Revenue recognition (continued)

*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.

### 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.

**3. Significant accounting policies (continued)**

**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.

**Trade payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods, assets or services received, whether billed by the supplier or not. The financial liabilities are subsequently measured at amortised cost using the (Effective Interest Rate) EIR method.

**Events after reporting date**

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

**Current and non-current classification**

The Group presents assets and liabilities based on current/non-current classification.

An asset is current when:

- It is expected to be realised or intended to sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period (or receivable on demand); or
- It is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period (or payable on demand); or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

## 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.

*(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.

**4. Critical accounting estimates and judgements (continued)**

*(b) Recoverability of investment in a joint venture and an associate (“equity accounted investees”) (continued)*

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.

*(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.

**4. Critical accounting estimates and judgements (continued)**

*(c) IFRS 15 Revenue from contracts with customers (continued)*

*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.

*(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 class (building) has resulted in a reduced depreciation charge during the year which has immaterial impact.

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.

**4. Critical accounting estimates and judgements (continued)**

*(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 40, 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 the receivable balance from a related party amounting to AED 412 million, the management believes that based on the court judgement, execution proceedings and on-going discussion with the related party to reach a settlement, this amount will be recoverable as of 31 December 2021. 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 2021 (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 2020 | 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 (Note 6) | (301,490) | - | (47,260) | - | - | (348,750) |
| As at 31 December 2020 | 588,000 | 4,034 | 114,911 | 931 | 237 | 708,113 |
| Additions | 88 | 525 | 649 | 412 | 15 | 1,689 |
| Disposals | - | - | (116) | (720) | - | (836) |
| Transfer to properties held for development and sale (Note 8) | (7,784) | - | - | - | - | (7,784) |
| Transfers | - | 237 | - | - | (237) | - |
| **As at 31 December 2021** | **580,304** | **4,796** | **115,444** | **623** | **15** | **701,182** |

## 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 2020 | 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 charge [Note 5 (e)] | 75,342 | - | - | - | - | 75,342 |
| As at 31 December 2020 | 107,046 | 3,888 | 41,490 | 893 | - | 153,317 |
| Charge for the year [Note 5 (f)] | 7,911 | 128 | 9,597 | 76 | - | 17,712 |
| Adjustment | (4,185) | - | - | - | - | (4,185) |
| Disposals | - | - | (39) | (720) | - | (759) |
| Transfer to properties held for development and sale (Note 8) | (591) | - | - | - | - | (591) |
| **As at 31 December 2021** | **110,181** | **4,016** | **51,048** | **249** | **-** | **165,494** |
| **Carrying amount** | | | | | | |
| **As at 31 December 2021** | **470,123** | **780** | **64,396** | **374** | **15** | **535,688** |
| As at 31 December 2020 | 480,954 | 146 | 73,421 | 38 | 237 | 554,796 |

a) Land and Buildings with a carrying value of AED 278.5 million (*2020: AED 323.3 million*) are mortgaged under Islamic finance obligations (Note 16).

b) During the year, no borrowing costs has been capitalised (*2020: AED Nil).*

c) During the year, the Company has reclassified units in residential building amounting to AED 7.2 million (*2020: AED Nil)* based on change in use of these units (Note 8).

d) During the year, no additional units in service apartment building were transferred from property held for sale (*2020: AED 28.3 million*) based on change in use of these units (Note 8)

e) The Group has portfolio of hospitality assets included in property and equipment against which no impairment loss has been recognised during the year *(2020: AED 75.3 million)*. The recoverable amount of two hotel assets has been determined using the indicative fair values of the property as at 31 December 2021 as concluded by management for one hotel asset and for other hotel asset as 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% *(2020: 9.75%)* and a terminal value growth rate of 3% *(2020: 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:

| | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| Direct costs [Note 22 (ii) & (iii)] | **14,029** | 16,061 |
| General administrative and selling expenses (Note 24) | **3,683** | 6,180 |
| | **17,712** | 22,241 |

**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** | **2021 Total AED'000** | 2020 Total AED'000 |
|---|---|---|---|---|---|---|---|
| **Fair value hierarchy** | **3** | **3** | **3** | **3** | **3** | | |
| As at 1 January | **159,444** | **66,912** | **14,045** | **207,553** | **288,123** | **736,077** | 514,210 |
| Additions | **869** | **265** | **-** | **-** | **-** | **1,134** | 3,513 |
| Adjustments | **-** | **-** | **-** | **-** | **-** | **-** | (348) |
| Transfer from properties held for sale - net (Note 8) | **-** | **7,024** | **-** | **6,339** | **-** | **13,363** | - |
| Transfer from property and equipment - net (Note 5) | **-** | **-** | **-** | **-** | **-** | **-** | 348,750 |
| Net gain/(loss) from fair value adjustments on investment properties | **-** | **-** | **-** | **7,657** | **-** | **7,657** | (130,048) |
| As at 31 December | **160,313** | **74,201** | **14,045** | **221,549** | **288,123** | **758,231** | 736,077 |

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).

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 9 million *(2020: AED 11.3 million)* (Note 22) and rental income recognised in consolidated statement of profit or loss includes AED 31.5 million *(2020: AED 28.4 million)* from investment properties.

**6. Investment properties (continued)**

Investment properties with carrying value of AED 347.3 million *(2020: AED 408.6 million)* are mortgaged against bank borrowings (Note 16).

During the year, the Company has reclassified certain units and parking spaces in residential and commercial apartment building amounting to AED 13.4 from properties held for development and sale based on change in use of these units (*2020: AED Nil*). 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 8).

During 2020, 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.

***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.

**Notes to the consolidated financial statements**
**For the year ended 31 December 2021 (continued)**

**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<br>Impact lower AED'000 | Sensitivity of management estimates<br>Impact higher AED'000 |
|---|---|---|---|---|---|---|
| UAE | Mix use Building | Income capitalisation | Estimated rental value | AED 70 to AED 160 per sqft per annum | (968) | 968 |
| | | | Discount rate | 7.11% | 17,150 | (12,098) |
| | | 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 53 K per parking space | (742) | 742 |
| UAE | Stores Units | | Estimated market value | AED 150 to AED 300 per sqft | (140) | 140 |
| UAE | Retail Units | | Estimated market value | AED 835 to AED 1,670 per sqft | (2,224) | 2,224 |
| UAE | One Service Apartment Buildings | Income capitalisation | Estimated earnings | AED 3.9 million to AED 8.5 million per annum | (458) | 458 |
| | | | Discount rate | 9% | 6,499 | (5,957) |
| UAE | Two Service Apartments | Sales comparable method | Estimated market value | AED 1,045 to AED 1,236 per sqft | (1,908) | 1,908 |

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 2021 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets.

## 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** | |
|---|---|---|---|---|---|---|
| | **2021 AED'000** | 2020 AED'000 | **2021 AED'000** | 2020 AED'000 | **2021 AED'000** | 2020 AED'000 |
| At 1 January | **980,692** | 987,039 | **364,538** | 363,594 | **1,345,230** | 1,350,633 |
| Share of profit | **33,189** | 23,797 | **21,151** | 944 | **54,340** | 24,741 |
| Repayment | **(24,777)** | (30,144) | **-** | - | **(24,777)** | (30,144) |
| Dividend | **(10,223)** | - | **-** | - | **(10,223)** | - |
| At 31 December | **978,881** | 980,692 | **385,689** | 364,538 | **1,364,570** | 1,345,230 |

***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:

| | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| **Percentage ownership interest** | **22.72%** | 22.72% |
| Assets | **940,215** | 940,538 |
| Liabilities | **(720)** | (881) |
| Net assets (100%) | **939,495** | 939,657 |
| Group's share of net assets (22.72%) | **213,453** | 213,490 |
| Adjustments (refer note (i) below) | **172,236** | 151,048 |
| Carrying amount of interest in an associate | **385,689** | 364,538 |
| Profit and total comprehensive income (100%) | **(166)** | (166) |
| Profit and total comprehensive income (22.72%) | **(38)** | (38) |
| Adjustment relating to accounting policy (refer note (i) below) | **21,189** | 982 |
| Group share of total profit and comprehensive income | **21,151** | 944 |

(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:

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| **Percentage ownership interest** | **50%** | 50% |
| Assets | **1,467,334** | 1,465,551 |
| Liabilities | **(37,467)** | (33.779) |
| Net assets (100%) | **1,429,867** | 1,431,772 |
| Group's share of net assets (50%) | **714,934** | 715,886 |
| Adjustments (refer note (i) below) | **263,947** | 264,806 |
| Carrying amount of interest in a joint venture | **978,881** | 980,692 |
| Revenue | **99,114** | 83,461 |
| Depreciation and amortisation | **25,378** | 33,047 |
| Profit and total comprehensive income (100%) | **38,344** | 15,629 |
| Profit and total comprehensive income (50%) | **19,172** | 7,814 |
| Adjustments relating to accounting policies (refer note (i) below) | **12,583** | 16,327 |
| Other adjustments | **1,434** | (344) |
| Group share of total profit and comprehensive income | **33,189** | 23,797 |

(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 2021 (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 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 |
| | | | | |
| As at 1 January 2021 | 416,705 | 222,287 | 695,440 | 1,334,432 |
| Additions | 73,936 | 161,897 | 23,444 | 259,277 |
| Transfers | 30,231 | 152,923 | (183,154) | - |
| Transfer from a related party [Note 11(c) (ii)] | - | - | 153,682 | 153,682 |
| Transfer from property and equipment (Note 5) | 7,193 | - | - | 7,193 |
| Transfer to investment property (Note 6) | (13,363) | - | - | (13,363) |
| Sale of properties (Note 22) | (182,080) | (38,544) | - | (220,624) |
| **As at 31 December 2021** | **332,622** | **498,563** | **689,412** | **1,520,597** |

During the current year, based on the Management's assessment of the net realisable value of the properties held for development and sale resulted in no impairment *(2020: AED 36.1 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 certain units and parking spaces in residential and commercial apartment building amounting to AED 13.4 from investment properties (*2020: AED Nil*) (Note 6) and also reclassified units in residential building amounting to AED 7.2 million from property and equipment (*2020: AED Nil)* based on change of use for these units (Note 5).

During the year, no additional units in service apartment building were transferred to property and equipment (*2020: AED 28.3 million*) based on change of these units (Note 5).

In the current year, the Group has transferred a plot of land amounting to AED 183.2 million *(2020: AED 130.3 million)* to properties under development. Further upon completion, properties amounting to AED 30.2 million *(2020: 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 954.7 million *(2020: AED 869.8 million)* and completed properties with total carrying value of AED 43.7 million *(31 December 2020: AED 142.1 million)* are mortgaged under Islamic finance obligations (Note 16).

## 8. Properties held for development and sale (continued)

In the current year, the Group has recognised an amount of AED 220.6 million *(2020: AED 173.3 million)* included in the consolidated statement of profit or loss under "direct costs" against revenue recognised of AED 299.3 million *(2020: AED 227 million)* (Note 21 and Note 22).

For plots of land held for future development and use amounting to AED 689.4 million as at the reporting date *(31 December 2020: AED 695.4 million)*, management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

## 9. Long term fixed deposits

In previous years, the Group had placed Wakala deposit amounting to AED 101 million with a financial institution for a period of 12 years with quarterly repayments. As at 31 December 2020, Group had received cumulatively an amount of AED 41.1 million towards the repayment of deposit and management had recognised an impairment charge of AED 12.1 million, present value impact of AED 3.9 million and provision for impairment of AED 4.2 million on the fixed deposit.

During the year, the Group had participated in an auction to exit with the financial institution, thereby have received an amount of AED 27 million from the financial institution as a final settlement against the Wakala deposits. Based on the final settlement, the Group has recognised a loss on derecognition of the Wakala deposits amounting to AED 20 million in the consolidated statement of profit of loss. Accordingly, present value of AED 3.9 million and provision for impairment of AED 4.2 million has been reversed in finance income and general, administrative and selling expenses respectively.

## 10. Trade, contract and other receivables

| | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| Trade and unbilled receivables (refer (i) below) | **538,032** | 514,832 |
| Other receivables (refer (ii) below) | **188,810** | 111,745 |
| | **726,842** | 626,577 |
| Current | **583,227** | 422,479 |
| Non-current | **143,615** | 204,098 |
| Total | **726,842** | 626,577 |

*i. Trade and unbilled receivables*

| | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| **Trade receivables** | | |
| Trade receivables within 12 months | **99,871** | 175,656 |
| **Contract assets** | | |
| Unbilled receivables within 12 months | **294,546** | 135,078 |
| Unbilled receivables after 12 months | **143,615** | 204,098 |
| **Total trade and unbilled receivables** | **538,032** | 514,832 |

**10. Trade, contract and other receivables (continued)**

The above trade receivables are net of provision for impairment amounting to AED 120.3 million *(2020: AED 117.8 million)* relating to trade receivables which are past due. All other trade receivables are considered recoverable.

As at 31 December 2021, trade receivables of AED 491.1 million *(2020: AED 480.7 million)* were receivable from sale of properties, and trade receivables of AED 47 million *(2020: AED 34.1 million)* were receivable from other streams of revenue.

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

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| Not due | **438,161** | 339,175 |
| Upto 3 months | **54,421** | 38,214 |
| Over 3 months | **45,450** | 137,443 |
| Net receivable | **538,032** | 514,832 |

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

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| At 1 January | **117,847** | 122,052 |
| Provision/(reversal) for impairment | **2,440** | (4,205) |
| At 31 December | **120,287** | 117,847 |

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*

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| Advances to contractors | **55,412** | 22,177 |
| Advances to suppliers | **4,682** | 6,891 |
| Prepayments | **52,256** | 8,906 |
| Others | **78,001** | 74,145 |
| | **190,351** | 112,119 |
| Less: Provision for impairment | **(1,541)** | (374) |
| | **188,810** | 111,745 |

## 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.

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| **Ultimate majority shareholder** | | |
| Other operating income/finance income | **770** | 2,937 |
| Finance cost | **10,258** | 16,355 |
| Borrowings drawdown | **626,407** | 60,350 |
| Borrowings repayments | **121,064** | 239,349 |

### (b) Remuneration of key management personnel

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| Salaries and other short term employee benefits | **13,281** | 13,938 |
| Termination and post-employment benefits | **451** | 423 |
| Board of Directors' remuneration | **2,850** | - |
| | **16,582** | 14,361 |

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

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| **Current** | | |
| Due from a joint venture | **2,350** | 1,473 |
| Due from other related parties | **445,426** | 962,046 |
| | **447,776** | 963,519 |
| Less: provision for impairment | **(33,622)** | (396,475) |
| | **414,154** | 567,044 |

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 113 million *(2020: AED 195 million)* and fixed deposits of AED 168 million *(2020: AED 100 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. In the prior year, the Group received a favourable judgement by the Court of Cassation in relation to certain disputed properties with a UAE based developer, a related party. The judgement included a settlement amount due to the Group of AED 412 million plus additional compensation of AED 61 million and interest accruing at 9% from the date of filing the case. Accordingly, based on further hearings and court judgements, management has concluded that amount of AED 412 million due will be settled by UAE based developer, a related party instead of another counter party (ii) who is also a related party of the Group.

ii. Following these amendments and various previous amendments to the original agreement, during the year the Group had entered in a mutual settlement agreement with the related party (“the purchaser). As a result of the settlement agreement, the Group has accepted plots of land as a kind consideration amounting to AED 154 million against the outstanding receivable balance and classifying the plots of land received as settlement, as Properties held for development and sale (Note 8). Further, the Group has obtained the title deed for all plots of land except one plot wherein the registration process is under way as at the reporting date. Accordingly, the Group has obtained necessary approvals and written off the provision for impairment amounting to AED 362.9 million against the balance receivable from a related party.

**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:**

| | **2021** | 2020 |
|---|---|---|
| | **AED’000** | AED’000 |
| **Current** | | |
| Due to a significant shareholder | **322** | 133 |
| Due to other related parties | **435** | 397 |
| | **757** | 530 |

At 31 December 2021, the Group had bank borrowings from the ultimate majority shareholder of AED 795.2 million *(2020: AED 289.8 million)* at market prevailing profit rates (Note 16).

**12. Cash and bank balances**

| | **2021** | 2020 |
|---|---|---|
| | **AED’000** | AED’000 |
| Cash and bank balances including call deposits | **287,415** | 267,784 |
| Fixed deposits | **175,572** | 151,544 |
| Cash in hand | **978** | 371 |
| | **463,965** | 419,699 |
| Less: provision for impairment | **(421)** | (4,644) |
| | **463,544** | 415,055 |
| Less: long term fixed deposits with a financial institution (Note 9) | **-** | (39,780) |
| **Cash and bank balances** | **463,544** | 375,275 |
| Less: deposits with original maturity more than three months | **(65,516)** | (54,966) |
| **Cash and cash equivalents** | **398,028** | 320,309 |

### 12. Cash and bank balances (continued)

Bank accounts include balance of AED 202 million *(31 December 2020: AED 88 million)* and fixed deposits of AED 25 million *(31 December 2020: AED 20 million)* at market prevailing profit rates held in escrow accounts.

These Escrow accounts include project Escrow accounts where amounts are collected against sale of properties and are available for payments relating to construction of development properties. These Escrow accounts also include Community Management Escrow accounts of various properties where service charges are collected from owners and are available for payments for management and maintenance of the properties.

Bank accounts balance include balance of AED 63.2 million *(2020: 43.8 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.

### 13. Equity instrument at fair value through other comprehensive income

| *Investment in a real estate investment trust (REIT)* | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| 1 January | **3,413** | 10,865 |
| Change in fair value | **2,048** | (7,452) |
| 31 December | **5,461** | 3,413 |

### 14. Share capital

At 31 December 2021 and December 2020, 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

| | **2021 AED'000** | 2020 AED'000 |
|---|---|---|
| **Islamic finance obligations** | | |
| Current | **78,928** | 121,170 |
| Non-current | **716,257** | 705,330 |
| Total borrowings | **795,185** | 826,500 |

## 16. Borrowings (continued)

| | AED'000 |
|---|---|
| 1 January 2020 | 981,305 |
| Drawn down | 112,495 |
| Repayments | (267,300) |
| 31 December 2020 | 826,500 |
| Drawn down | 626,407 |
| Repayments | (657,722) |
| **31 December 2021** | **795,185** |

Islamic finance obligations represent Ijarah and other Islamic facilities obtained from Dubai Islamic Bank PJSC (ultimate majority shareholder) [Note 11 (d)]. The facilities were availed to finance the properties under construction and working capital requirements.

During the year, the Group has signed a new Islamic facility with one of its existing lenders (ultimate majority shareholder) amounting to AED 600 million. The existing outstanding facilities with different lenders was settled by utilising the new facility and remaining balance of AED 56 million is available for drawdown to the Group. The new facility carries market prevailing profit rates and is repayable in quarterly instalments over ten years from the reporting date. The facility is subject to financial covenants.

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).

## 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.

Movement during the year is as follows:

| | **2021**<br>**AED'000** | 2020<br>AED'000 |
|---|---|---|
| Balance at the beginning of the year | **10,329** | 25,017 |
| Amounts collected/ advance billing during the year | **136,621** | 5,502 |
| Amounts invoiced/ revenue recognised during the year | **(4,464)** | (20,190) |
| Balance at the end of the year | **142,486** | 10,329 |

## 18. Trade and other payables

| | **2021**<br>**AED'000** | 2020<br>AED'000 |
|---|---|---|
| Trade payables | **119,592** | 116,019 |
| Refundable Deposits | **51,864** | 40,284 |
| Accrued Islamic facilities charges | **2,822** | 3,805 |
| Project cost accruals | **93,637** | 52,439 |
| Other payables and accrued expenses | **156,138** | 124,438 |
| | **424,053** | 336,985 |

**Notes to the consolidated financial statements**
**For the year ended 31 December 2021 (continued)**

### 19. Retentions payable

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| Non-current portion | **4,270** | 8,015 |
| Current portion | **42,386** | 70,651 |
| | **46,656** | 78,666 |

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

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| At 1 January | **14,705** | 14,909 |
| Charge for the year | **2,818** | 2,363 |
| Payments | **(2,427)** | (2,567) |
| At 31 December | **15,096** | 14,705 |

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

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| ***Property development activities*** | | |
| Sale of properties (Note 8) | **291,399** | 226,942 |
| Leasing income | **33,268** | 30,314 |
| | **324,667** | 257,256 |
| ***Properties, facilities and association management*** | | |
| Property management | **28,548** | 39,100 |
| Facilities and association management | **76,743** | 67,783 |
| | **105,291** | 106,883 |
| ***Hospitality*** | **66,997** | 48,720 |
| | **496,955** | 412,859 |

**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.

| | **2022** **AED'000** | **2023** **AED'000** | **2024** **AED'000** | **Total** **AED'000** |
|---|---|---|---|---|
| Sale of properties | 328,590 | 402,386 | 402,721 | 1,133,697 |

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

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| Cost of sale of properties (i) (Note 8) | **220,624** | 173,250 |
| Direct cost of facility management (ii) | **58,648** | 49,780 |
| Direct cost of hospitality (iii) | **26,585** | 26,069 |
| Direct cost of leasing properties (Note 6) | **8,988** | 11,329 |
| Others | **211** | 265 |
| | **315,056** | 260,693 |

(i) Cost of sale of properties include reversal of impairment amounting to AED 5.2 million *(2020: AED Nil)* on properties sold during the year against which provision for impairment was recorded in the prior years.

(ii) Facilities management costs include staff costs amounting to AED 26.5 million *(2020: AED 20.3 million)* and depreciation charge amounting to AED 0.7 million (*2020: AED 0.6 million*).

(iii) Hospitality costs include staff costs amounting to AED 5.7 million *(2020: AED 5 million)* and depreciation charge amounting to AED 13.3 million *(2020: AED 15.4 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

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| Write back of provisions and liabilities no longer payable | **3,337** | 23,875 |
| Others | **13,386** | 9,550 |
| | **16,723** | 33,425 |

## 24. General administrative and selling expenses

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| Staff costs (Note 25) | **89,775** | 72,790 |
| Marketing and selling expenses | **24,750** | 18,229 |
| Legal and professional charges | **6,558** | 5,017 |
| Rent expenses | **918** | 1,704 |
| Pre-opening expenses | **-** | 700 |
| Social contributions | **139** | - |
| Depreciation [Note 5(f)] | **3,683** | 6,180 |
| Reversal of impairment against trade, contract and other financial assets | **(839)** | (3,038) |
| Others | **35,947** | 47,496 |
| | **160,931** | 149,078 |

## 25. Staff costs

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| Payroll cost | **53,576** | 56,591 |
| End of service benefits | **2,031** | 1,878 |
| Pension and social security contributions | **724** | 719 |
| Other benefits | **33,444** | 13,602 |
| | **89,775** | 72,790 |

## 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

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| Finance cost on bank borrowings | **(31,921)** | (36,889) |
| Finance income from short-term bank deposits | **1,359** | 3,205 |
| Present value impact on non-current financial assets - net | **2,621** | 1,699 |
| Total finance income | **3,980** | 4,904 |
| Net finance cost | **(27,941)** | (31,985) |

## 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.

| | **2021** | 2020 |
|---|---|---|
| Profit/(loss) attributable to equity holders of the Company (AED'000) | **50,802** | (216,923) |
| Weighted average number of ordinary shares in issue (thousands) | **5,778,000** | 5,778,000 |
| Earnings per share (fils) | **0.88** | (3.75) |

***Diluted***

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

**Notes to the consolidated financial statements**
**For the year ended 31 December 2021 (continued)**

## 29. Cash flow from operating activities

| | 2021 AED'000 | 2020 AED'000 |
|---|---|---|
| Profit/(loss) for the year | **50,802** | (216,923) |
| Adjustments for: | | |
| Depreciation [Note 5(f)] | **17,712** | 22,241 |
| Adjustment of depreciation (Note 5) | **(4,185)** | - |
| Provision for employees' end of service benefits (Note 20) | **2,818** | 2,363 |
| (Reversal of impairment)/Impairment of properties held for development and sale, net [Note 22(i)/Note 8] | **(5,238)** | 36,077 |
| Reversal of impairment against trade receivables, contract and other financial assets and related parties (Note 24) | **(839)** | (3,038) |
| Loss on derecognition of fixed deposit (Note 9) | **19,999** | - |
| Provision/expense against claims | **946** | 4,725 |
| Finance income (Note 27) | **(3,980)** | (4,904) |
| Finance cost (Note 27) | **31,921** | 36,889 |
| Share of results from an associate and a joint venture (Note 7) | **(54,340)** | (24,741) |
| Impairment loss against property and equipment [Note 5(e)] | **-** | 75,342 |
| (Gain)/loss on fair valuation of investment property (Note 6) | **(7,657)** | 130,048 |
| **Operating cash flows before payment of employees' end of service benefits and changes in working capital** | **47,959** | 58,079 |
| Payment of employees' end of service benefits (Note 20) | **(2,427)** | (2,567) |
| *Changes in working capital:* | | |
| Properties held for development and sale (net of project cost accruals) | **(16,167)** | (144,626) |
| Retention payable - non-current (Note 19) | **(3,745)** | (10,594) |
| Retention payable - current (Note 19) | **(28,265)** | (5,552) |
| Trade, contract and other receivables - non-current | **60,483** | (133,157) |
| Trade, contract and other receivables - current | **(164,462)** | 353,807 |
| Advances from customers | **132,157** | (14,688) |
| Inventories | **105** | (310) |
| Due from related parties | **(801)** | 3,488 |
| Trade and other payables | **66,847** | 18,548 |
| Due to related parties | **227** | (1,270) |
| **Net cash generated from operating activities** | **91,911** | 121,158 |

## 30. Commitments

At 31 December 2021, the Group had total commitments of AED 601 million *(2020: AED 359.1 million)* with respect to project related contracts issued net of invoices received and accruals made at that date.

**30. Commitments (continued)**

*Operating lease commitments – Group as a lessor*

The following table include the leases Group has entered on its lease portfolio.

| | Within one year AED'000 | More than one year AED'000 | Total AED'000 |
|---|---|---|---|
| Lease commitments | 26,613 | 15,958 | 42,571 |

**31. Contingencies**

At 31 December 2021, 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 172.4 *(2020: AED 87.3 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 *(2020: 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 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.

In the prior 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. However, on 15 February 2021, the special committee has decided that 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.

As at the reporting date, the Board by majority resolved to suspend the execution proceedings based on the ongoing dialogue with the related party to reach a settlement till 18 February 2022. Subsequently, the management has submitted an application to the court of execution to resume 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.

| | Property development activities AED'000 | Properties and facilities management AED'000 | Hospitality AED'000 | Total AED'000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Segment revenues – external | **324,667** | **105,291** | **66,997** | **496,955** |
| Segment profit | **19,421** | **16,982** | **14,399** | **50,802** |
| Segment assets | **5,023,202** | **227,778** | **540,537** | **5,791,517** |
| Segment liabilities | **1,264,487** | **144,461** | **20,605** | **1,429,553** |
| **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 |

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 2021 is AED 0.5 million *(2020: AED 0.5 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.

## 33. Financial risk management (continued)

***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.

*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 2021, if profit rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 7.4 million lower/higher *(2020: profit for the year would have been AED 7.7 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.

| | **2021 AED'000 Fair value** | **2021 AED'000 Notional amount** | 2020 AED'000 Fair value | 2020 AED'000 Notional amount |
|---|---|---|---|---|
| Profit rate swap | **-** | **47,500** | (0.2) | 142,500 |
| | **-** | **47,500** | (0.2) | 142,500 |

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

## 33. Financial risk management (continued)

***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:

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| Long term fixed deposits | **-** | 39,780 |
| Trade, contract and other receivables (excluding advances and prepayments) | **614,492** | 588,603 |
| Due from related parties | **414,154** | 567,044 |
| Bank balances | **462,566** | 374,904 |
| | **1,491,212** | 1,570,331 |

***Credit risk management***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The credit risk on liquid funds is limited as funds are placed with reputable banks registered in the U.A.E.

The table below shows the balances with major banks (based on Moody's or equivalent rating) at the 31 December 2021.

| | **2021** **AED'000** | 2020 AED'000 |
|---|---|---|
| **Bank balances** | | |
| A1 | **146,282** | 34,024 |
| A2 | **278,235** | 306,274 |
| A3 | **-** | 3,201 |
| Baa1 | **19,987** | 5,909 |
| Baa2 – Baa3 | **18,037** | 25,471 |
| B2 | **25** | 25 |
| | **462,566** | 374,904 |

## 33. Financial risk management (continued)

***Credit risk management (continued)***

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

| **31 December 2021** | **Notes** | **Gross carrying amount AED'000** | **Loss allowance AED'000** | **Net carrying amount AED'000** |
|---|---|---|---|---|
| Trade and unbilled receivables | **10 (i)** | 658,319 | (120,287) | 538,032 |
| Other receivables (excluding advances and prepayments) | **10 (ii)** | 78,001 | (1,541) | 76,460 |
| Due from related parties | **11 (c)** | 447,776 | (33,622) | 414,154 |
| | | **1,184,096** | **(155,450)** | **1,028,646** |

| 31 December 2020 | **Notes** | **Gross carrying amount AED'000** | **Loss allowance AED'000** | **Net carrying amount AED'000** |
|---|---|---|---|---|
| Long term fixed deposits | 9 | 43,994 | (4,214) | 39,780 |
| Trade and unbilled receivables | 10 (i) | 632,679 | (117,847) | 514,832 |
| Other receivables (excluding advances and prepayments) | 10 (ii) | 74,145 | (374) | 73,771 |
| Due from related parties | 11 (c) | 963,519 | (396,475) | 567,044 |
| | | 1,714,337 | (518,910) | 1,195,427 |

(i) For trade receivables, due from related parties and other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

**33. Financial risk management (continued)**

***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 2021** | | | | | |
| Borrowings | 795,185 | 885,836 | 143,659 | 512,304 | 229,873 |
| Trade and other payables | 424,053 | 424,053 | 424,053 | - | - |
| Retentions payable | 46,656 | 46,656 | 42,386 | 4,270 | - |
| | **1,265,894** | **1,356,545** | **610,098** | **516,574** | **229,873** |
| 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 |

***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.

**33. Financial risk management (continued)**

***Fair value estimation (continued)***

- 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 2021** | | | | |
| Equity instrument at fair value through other comprehensive income | **5,461** | **-** | **-** | **5,461** |
| As at 31 December 2020 | | | | |
| Equity instrument at fair value through other comprehensive income | 3,413 | - | - | 3,413 |

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.

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 2021** | | | |
| **Assets as per statement of financial position** | | | |
| Equity instrument at fair value other comprehensive income | - | 5,461 | 5,461 |
| Trade, contract and other receivables (excluding advances and prepayments) | 614,492 | - | 614,492 |
| Due from related parties | 414,154 | - | 414,154 |
| Bank balances | 462,566 | - | 462,566 |
| | **1,491,212** | **5,461** | **1,496,673** |
| **Liabilities as per statement of financial position** | | | |
| Trade and other payables | 424,053 | - | 424,053 |
| Retentions payable | 46,656 | - | 46,656 |
| Borrowings | 795,185 | - | 795,185 |
| | **1,265,894** | **-** | **1,265,894** |

**Notes to the consolidated financial statements**
**For the year ended 31 December 2021 (continued)**

## 33. Financial risk management (continued)

*Fair value estimation (continued)*

| | 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 | 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 |
| 31 December 2020 | | | |
| 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 |

## 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 |

## 35. Subsidiaries and equity accounted investees entities (continued)

| Name of entity | Country of incorporation | Effective ownership | Principal activities |
|---|---|---|---|
| **Subsidiaries** | | | |
| 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 |
| 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 |
| Deyaar Bay Real Estate Development LLC* | UAE | 100% | Buying, selling and real estate development |
| **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 affected all businesses. Measures to prevent and contain transmission of the virus have impacted businesses throughout the world and lower economic activity resulted in reduced demand for many goods and services. Till date, the impact of COVID-19 on the Group's operational performance has not been significant, and management expects this to remain the same. The management continues to take required actions in order to optimise the Group's operating cash flows and preserve liquidity and have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future.

Due to different variants of COVID-19, there is still uncertainty over the duration and severity of the outbreak on businesses and accordingly, it is not possible to reliably estimate the impact on the financial position and results of the Group 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, properties held for development and sale, and investment properties, as necessary, during the course of 2022.