DEYAAR DEVELOPMENT PJSC

REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021

Deyaar Development PJSC

INTERIM FINANCIAL INFORMATION
For the nine month period ended 30 September 2021

Content	**Pages**

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Deyaar Development PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Deyaar Development PJSC** (the "Company") **and its Subsidiaries** (together the "Group") as at 30 September 2021 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, for the three-month and nine-month period ended 30 September 2021, the condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting"* (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)

Mohammad Jallad
Registration No: 1164
11 November 2021
Dubai
United Arab Emirates

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Notes	**30 September 2021 AED'000 (Unaudited)**	31 December 2020 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	*6*	**534,549**	554,796
Investment properties	*7*	**736,782**	736,077
Investments in a joint venture and an associate		**1,343,728**	1,345,230
Trade, contract and other receivables	*8*	**141,429**	204,098
Long term fixed deposits	*18*	**-**	39,780
Equity investment at fair value through other comprehensive income		**2,446**	3,413
		2,758,934	2,883,394
Current assets			
Properties held for development and sale	*9*	**1,317,136**	1,334,432
Inventories		**2,513**	2,535
Trade, contract and other receivables	*8*	**549,497**	422,479
Due from related parties	*10*	**567,365**	567,044
Cash and bank balances		**404,600**	375,275
		2,841,111	2,701,765
Total assets		**5,600,045**	5,585,159
EQUITY			
Share capital	*11*	**5,778,000**	5,778,000
Legal reserve		**298,358**	298,358
Equity investments fair valuation reserve		**(16,889)**	(15,922)
Accumulated losses		**(1,717,672)**	(1,748,472)
Total equity		**4,341,797**	4,311,964
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**619,575**	705,330
Retentions payable		**4,358**	8,015
Provision for employees' end of service benefits		**14,976**	14,705
		638,909	728,050
Current liabilities			
Borrowings	*12*	**104,618**	121,170
Advances from customers		**91,742**	10,329
Trade and other payables	*13*	**380,986**	342,465
Retentions payable		**41,192**	70,651
Due to related parties		**801**	530
		619,339	545,145
Total liabilities		**1,258,248**	1,273,195
Total equity and liabilities		**5,600,045**	5,585,159

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial information presents fairly in all material respects the financial position, financial performance and cash flows of the Group.

The interim financial information was approved on 11 NOV 2021 2021 by:

....
Saeed Al Qatami
Chief Executive Officer

Hani Fansa
....
Hani K. Fansa
Chief Financial Officer

The accompanying notes form an integral part of this interim financial information.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine month period ended 30 September 2021

		Nine month ended		Three month ended	
		30 September 2021	30 September 2020	**30 September 2021**	30 September 2020
	Notes	**AED'000**	AED'000	**AED'000**	AED'000
		(Unaudited)		(Unaudited)	
Revenue		**418,157**	288,119	**120,733**	113,571
Direct costs		**(273,136)**	(175,479)	**(77,018)**	(79,898)
General, administrative & selling expenses		**(106,977)**	(110,900)	**(35,956)**	(31,886)
Other operating income		**10,203**	29,721	**5,803**	2,527
Finance cost		**(24,529)**	(28,358)	**(9,998)**	(8,278)
Provision / expense against claims		**(844)**	(3,611)	**(23)**	(2,387)
Finance income		**1,381**	2,570	**(4,057)**	830
Share of results from a joint venture and an associate		**23,498**	20,210	**6,698**	9,624
Profit before fair value adjustments & impairment losses		**47,753**	22,272	**6,182**	4,103
Loss from fair value on investment properties, net		**-**	(9,652)	**-**	-
Reversal of provision against properties held for development and sale		**3,046**	437	**2,017**	437
Loss on derecognition of fixed deposits	*18*	**(19,999)**	-	**-**	-
Profit for the period		**30,800**	13,057	**8,199**	4,540
Earnings per share – basic and diluted	*19*	**Fils 0.53**	Fils 0.23	**Fils 0.14**	Fils 0.08

The accompanying notes form an integral part of this interim financial information.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine month period ended 30 September 2021

	Nine month ended		**Three month ended**	
	30 September 2021 AED'000	30 September 2020 AED'000	**30 September 2021 AED'000**	30 September 2020 AED'000
	(Unaudited)		(Unaudited)	
Profit for the period	**30,800**	13,057	**8,198**	4,540
Other comprehensive loss				
Items that will not be subsequently reclassified to profit or loss				
Equity investment at fair value through other comprehensive (loss)/income – net change in fair value	**(967)**	(6,769)	**(152)**	474
Total comprehensive income for the period	**29,833**	6,288	**8,046**	5,014

The accompanying notes form an integral part of this interim financial information.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2021

	Share capital AED'000	Legal reserve AED'000	Equity investments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2020 (audited)	5,778,000	298,358	(8,470)	(1,530,137)	4,537,751
Total comprehensive income for the period (unaudited)					
Profit for the period	-	-	-	13,057	13,057
Other comprehensive loss for the period	-	-	(6,769)	-	(6,769)
Total comprehensive (loss)/income for the period (unaudited)	-	-	(6,769)	13,057	6,288
Adjustments to Board of Directors' remuneration [Refer note 10(b)]	-	-	-	(1,412)	(1,412)
Balance at 30 September 2020 (unaudited)	**5,778,000**	**298,358**	**(15,239)**	**(1,518,492)**	**4,542,627**
Balance at 1 January 2021 (audited)	5,778,000	298,358	(15,922)	(1,748,472)	4,311,964
Total comprehensive income for the period (unaudited)					
Profit for the period	-	-	-	30,800	30,800
Other comprehensive loss for the period	-	-	(967)	-	(967)
Total comprehensive income for the period (unaudited)	-	-	(967)	30,800	29,833
Balance at 30 September 2021 (unaudited)	**5,778,000**	**298,358**	**(16,889)**	**(1,717,672)**	**4,341,797**

The accompanying notes form an integral part of this interim financial information.

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine month period ended 30 September 2021

	Notes	Nine month period ended 30 September 2021 AED'000	30 September 2020 AED'000
		(Unaudited)	
Cash flows from operating activities			
Net cash generated from operating activities	*14*	**107,700**	105,557
Cash flows from investing activities			
Additions to property and equipment		**(1,822)**	(13,972)
Adjustments to property and equipment		**1,000**	-
Addition to investment properties		**(705)**	(247)
Adjustment to investment properties		**-**	348
Repayment from joint venture		**15,706**	30,144
Dividend from joint venture		**9,294**	-
Net movement in term deposits with an original maturity greater than three months		**46,445**	310
Income from term deposits		**1,524**	3,315
Net cash generated from investing activities		**71,442**	19,898
Cash flows from financing activities			
Repayments of borrowings	*12*	**(153,107)**	(245,285)
Drawdown of borrowings	*12*	**50,800**	52,145
Finance costs paid		**(25,096)**	(28,546)
Net cash used in financing activities		**(127,403)**	(221,686)
Net increase/(decrease) in cash and cash equivalents		**51,739**	(96,231)
Cash and cash equivalents, beginning of the period		**320,309**	364,019
Impairment charge on bank balances		**43**	(13)
Cash and cash equivalents, end of the period		**372,091**	267,775

For the purpose of condensed consolidated statement of cash flows; cash and cash equivalents comprise:

Cash in hand	**608**	379
Current accounts	**258,814**	166,923
Fixed deposits	**145,572**	197,929
	404,994	365,231
Less: provision for impairment	**(394)**	(4,395)
Cash and bank balances, net	**404,600**	360,836
Less: term deposits with an original maturity greater than three months	**(32,509)**	(93,061)
Cash and cash equivalents	**372,091**	267,775

The accompanying notes form an integral part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 September 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, United Arab Emirates ("UAE") on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, UAE. The Company is listed on Dubai Financial Market, Dubai, UAE.

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

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

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in process of obtaining necessary approvals for the new provisions and will apply the requirements thereof by no later than one year from the date on which the amendments came into effect.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim financial information for the nine month period ended 30 September 2021 has been prepared in accordance with IAS 34 '*Interim Financial Reporting*'. The interim financial information should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of UAE Federal Law No. (2) of 2015.

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

(a) New and revised IFRS Standards 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 the interim financial information.

In the current year, the Group has applied a number of amendments to IFRS Standards 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 the interim financial information.

2. Basis of preparation and accounting policies (continued)

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these condensed consolidated financial statements.

New and revised IFRS	Summary
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*)	The amendments in Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 Leases)	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.	1 January 2023

2. Basis of preparation and accounting policies (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 17 *Insurance Contracts*	1 January 2023

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 *Insurance Contracts* was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

2. Basis of preparation and accounting policies (continued)

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	1 January 2023
Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9 The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	1 January 2023
Amendments to IAS 12 *Income Taxes* relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	1 January 2023

2. Basis of preparation and accounting policies (continued)

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 3 *Business Combinations* relating to *Reference to the Conceptual Framework* The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* - Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to Onerous Contracts - Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle Makes amendments to the following standards: • IFRS 1 *First-Time Adoption of International Financial Reporting Standards* – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • IFRS 9 *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1 January 2022

2. Basis of preparation and accounting policies (continued)

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

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

<u>New and revised IFRSs</u>	Effective for annual periods <u>beginning on or after</u>
Annual Improvements to IFRS Standards 2018-2020 Cycle Makes amendments to the following standards: (continued) • IFRS 16 *Leases* – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • IAS 41 *Agriculture* – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

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

3. Estimates and assumptions

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

In preparing the interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

4. Financial risk management

The Group's activities potentially expose it to a variety of financial risks as follows:

- Market risk (including currency risk, price risk, cash flow and fair value interest rate risk)
- Credit risk and liquidity risk

The interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statement, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2020.

5. Segment information

Operating segment

The Board of Directors is the Group's chief operating decision maker. The Board considers the business of the group as a whole for the purpose of decision making. Management has determined the operating segments based on segments identified for the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: property development (includes sale of properties and leasing activities), 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
Nine month period ended				
As at 30 September 2021 (unaudited)				
Segment revenues - external	**301,985**	**77,567**	**38,605**	**418,157**
Segment profit	**15,556**	**12,036**	**3,208**	**30,800**
As at 30 September 2021 (unaudited)				
Segment assets	**4,659,251**	**413,719**	**527,075**	**5,600,045**
Segment liabilities	**1,081,552**	**158,560**	**18,136**	**1,258,248**

5. Segment information (continued)

Operating segment (continued)

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
Nine month period ended				
As at 30 September 2020 (unaudited)				
Segment revenues - external	183,010	69,789	35,230	288,119
Segment profit/(loss)	6,101	15,674	(8,718)	13,057
As at 31 December 2020 (audited)				
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 and facilities management are recognised at a point in time.

Geographic information

The carrying amount of total assets located outside the United Arab Emirates as at 30 September 2021 is AED 3 million *(31 December 2020: AED 3 million).*

6. Property and equipment

The property and equipment balance include buildings, leasehold improvements, furniture and fixtures, office equipment, motor vehicle and capital work in progress.

The Group has portfolio of hospitality assets included in property and equipment against which an impairment loss had been recognised in the year ended 31 December 2020 amounting to 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 2020 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these two hotels.

Further, for one hotel, management has concluded the recoverable value is equivalent to its value in use. In determining the value in use, management has estimated expected future cash flows and determined a suitable discount rate in order to calculate the present value of those cash flows. The estimate of value in use was determined using a discount rate of 9.75% and a terminal value growth rate of 3%. Management believes there was no material variance in the recoverable value of Group's property and equipment at the end of current period.

The Group has a policy of depreciating assets on a straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value. The Group depreciates buildings from 20 to 50 years and furniture and fixtures from 4 to 8 years. Furthermore, the depreciation expense of the Group in the current period amounted to AED 14 million *(30 September 2020: AED 19 million).*

7. Investment properties

	Mix use building AED'000	Parking Spaces AED'000	Stores units AED'000	Retail units AED'000	Service Apartments AED'000	30 September 2021 Total AED'000	31 December 2020 Total AED'000
				(Unaudited)			(Audited)
Fair value hierarchy	**3**	**3**	**3**	**3**	**3**		
Fair value at the beginning of the reporting period/year	**159,444**	**66,912**	**14,045**	**207,553**	**288,123**	**736,077**	514,210
Additions	**440**	**265**	**-**	**-**	**-**	**705**	3,513
Adjustment	**-**	**-**	**-**	**-**	**-**	**-**	(348)
Transfer from property and equipment	**-**	**-**	**-**	**-**	**-**	**-**	348,750
Net loss from fair value adjustments on investment properties	**-**	**-**	**-**	**-**	**-**	**-**	(130,048)
Fair value at the end of reporting period/year	**159,884**	**67,177**	**14,045**	**207,553**	**288,123**	**736,782**	736,077

Investment properties represent properties held at fair value and any fair value gain/loss under the fair value model is treated in accordance with IFRSs.

Investment properties with carrying value of AED 324 million *(31 December 2020: AED 408.6 million)* are mortgaged against bank borrowings (Note 12).

For retail units, parking spaces, two service apartment building and store units, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2020 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets. For one service apartments building, the valuation was determined using the income capitalisation method. Management believes that there was no material variance in the value of the Group's investment properties at the end of current period.

8. Trade, contract and other receivables

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Trade and unbilled receivables	**568,844**	514,832
Other receivables	**122,082**	111,745
	690,926	626,577
Current	**549,497**	422,479
Non-current	**141,429**	204,098
Total	**690,926**	626,577
Trade receivables		
Amounts receivable within 12 months	**91,371**	175,656
Contract assets		
Unbilled receivables within 12 months	**336,044**	135,078
Unbilled receivables after 12 months	**141,429**	204,098
	568,844	514,832

The above trade and other receivables are net of provision for impairment amounting to AED 121 million *(31 December 2020: AED 117.8 million)* relating to trade and other receivables which are past due. All the other receivables are considered recoverable.

9. Properties held for development and sale

The properties held for development and sale include land held for future development, properties under development and completed properties held in inventory.

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.

As at 31 December 2020, Management's assessment of the net realisable value of the properties held for development and sale resulted in an impairment amounting to AED 31.2 million. In the current period, the Group has recognised an impairment reversal amounting to AED 3 million. Further, management believes that there was no material variance in the value of the Group's properties held for development and sale at the end of current period.

Plots of land including under development projects with total carrying value of AED 853.7 million *(2020: AED 869.8 million)* and completed properties with total carrying value of AED 130 million *(31 December 2020: AED 142.1 million)* are mortgaged under Islamic finance obligations (Note 12).

In the current period, the Group has recognised an amount of AED 204.9 million *(for the year ended 31 December 2020: AED 173.3 million and for the nine month period ended 30 September 2020: AED 108.9 million)* included in profit or loss under "direct costs" against revenue recognised of AED 277.7 million *(for the year ended 31 December 2020: AED 227 million and for the nine month period ended 30 September 2020: AED 150.1 million).*

For plots of land held for future development and use amounting to AED 699.5 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.

10. Related party transactions and balances

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

(a) Related party transactions

During the period, 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:

	Nine month period ended		**Three month period ended**	
	30 September 2021 AED'000	30 September 2020 AED'000	**30 September 2021 AED'000**	30 September 2020 AED'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Ultimate majority shareholder				
Other operating income/finance income	**759**	2,399	**253**	953
Finance cost	**6,428**	13,446	**1,908**	3,272
Borrowings drawdown	**50,800**	-	**21,500**	-
Borrowings repayment	**100,064**	226,529	**58,000**	142,300
Joint venture				
Other operating income	**570**	-	**209**	-

(b) Remuneration of key management personnel

	Nine month period ended		**Three month period ended**	
	30 September 2021 AED'000	30 September 2020 AED'000	**30 September 2021 AED'000**	30 September 2020 AED'000
	(Unaudited)		**(Unaudited)**	
Salaries and other short-term employees' benefits	**9,857**	10,554	**3,294**	3,514
Termination and post-employment benefits	**324**	320	**104**	109
	10,181	10,874	**3,398**	3,623

During the current period, no additional provision for the Board of Directors' remuneration was recognised *(during the nine month period ended 30 September 2020: AED 1.4 million)*.

(c) Due from related parties comprises:

	30 September 2021 AED'000	31 December 2020 AED'000
	(Unaudited)	(Audited)
Current		
Due from a joint venture	**1,807**	1,473
Due from other related parties	**962,046**	962,046
	963,853	963,519
Less: provision for impairment	**(396,488)**	(396,475)
	567,365	567,044

10. Related party transactions and balances (continued)

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 114 million *(31 December 2020: AED 195 million)* and fixed deposits of AED 138 million *(31 December 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.

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

Following these amendments and various previous amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 30 September 2021 is AED 516.6 million *(31 December 2020: AED 516.6 million)* against which a provision for impairment amounting to AED 362.9 million exists. The outstanding balance based on the last amendment effective from 31 December 2020, is to be settled by the purchaser no later than 31 December 2021.

Impairment provision

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

(d) Due to related parties comprises:

	30 September 2021 AED'000	31 December 2020 AED'000
	(Unaudited)	(Audited)
Current		
Due to an ultimate majority shareholder	**363**	133
Due to other related parties	**438**	397
	801	530

At 30 September 2021, the Group has bank borrowings from the ultimate majority shareholder of AED 240.6 million *(31 December 2020: AED 289.8 million)*, at market prevailing profit rates (Note 12).

11. Share capital

At 30 September 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.

12. Borrowings

	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
Islamic finance obligations		
Current	**104,618**	121,170
Non-current	**619,575**	705,330
Total borrowings	**724,193**	826,500

	AED'000
1 January 2020	981,305
Draw down	112,495
Repayments	(267,300)
31 December 2020 (Audited)	826,500
1 January 2021	826,500
Draw down	50,800
Repayments	(153,107)
30 September 2021 (Unaudited)	**724,193**

The Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (ultimate majority shareholder), and from other local banks. The facilities were availed to finance the properties under construction and working capital requirements. Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of one to nine years from the reporting date *(31 December 2020: one to ten years)*.

Islamic finance obligations are secured by mortgages over properties classified under property held for development and sale (Note 9), property and equipment (Note 6) and investment properties (Note 7). Further, certain facilities with banks are subject to financial covenants.

As at the reporting date, the Group has signed a new facility with one of its existing lenders (ultimate majority shareholder) amounting to AED 600 million. The existing outstanding facilities with different lenders will be settled by partially utilising the new facility and remaining balance would be available for drawdown to the Group. The new facility carries market prevailing profit rates and is repayable over ten years starting from six months from date of new facility and subject to certain financial covenants.

13. Trade and other payables

Trade and other payables include trade payables in normal course of business and provision relating to claims made by third parties and customers against the Group. 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 amounts due to failure of customers to pay the outstanding balances as per the Sale and Purchase Agreement. The provisions are based on management's best estimate after considering the potential cash flows in respect of the claim on a case to case basis.

14. Cash flows from operating activities

	Nine month period ended 30 September	
	2021	2020
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit for the period	**30,800**	13,057
Adjustments for:		
Depreciation on property and equipment	**14,356**	18,898
Provision for employees' end of service benefits	**2,041**	1,626
Reversal of provision against properties held for development and sale	**(3,046)**	437
Reversal of provision against trade receivables, contract and other financial assets	**(1,677)**	(1,987)
Loss on derecognition of long-term fixed deposits	**19,999**	-
Provision for claims	**844**	3,611
Loss on fair valuation of investment properties	-	9,652
Finance income	**(1,381)**	(2,570)
Finance costs	**24,529**	28,358
Share of results from a joint venture and an associate	**(23,498)**	(20,210)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	**62,967**	50,872
Payment of employees' end of service benefits	**(1,771)**	(994)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	**27,056**	(81,000)
Trade and other receivables - non-current	**62,668**	18,266
Trade and other receivables - current	**(129,721)**	208,379
Due from related parties	**(334)**	(83,455)
Inventories	**22**	(124)
Retentions payable - non-current	**(3,657)**	(11,787)
Retentions payable - current	**(29,459)**	(6,361)
Advances from customers	**81,413**	(12,107)
Trade and other payables	**38,245**	23,866
Due to related parties	**271**	2
Net cash generated from operating activities	**107,700**	105,557

Bank accounts include balance of AED 156.1 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 52 million *(31 December 2020: AED 43.8 million)*, held in a fiduciary capacity on behalf and for the beneficial interest of third parties, which are recorded in these condensed consolidated financial statements.

15. Commitments

At 30 September 2021, the Group has total commitments of AED 287.4 million *(31 December 2020: AED 359.1 million)* with respect to project related contracts issued net of invoices received and accruals made at that date.

16. Contingencies

At 30 September 2021, the Group has contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 172.1 million *(31 December 2020: AED 87.3 million)*. Also, the Group has 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 Group management was under discussion with the related party to reach settlement. Subsequent to the reporting date, the Board resolved to suspend the discussion and resume the execution proceedings pursuant to the court judgement against the related party.

17. Financial instruments by category

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

30 September 2021 (unaudited)	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
Assets as per condensed consolidated statement of financial position			
Equity instrument at fair value other comprehensive income	-	2,446	2,446
Trade, contract and other receivables excluding prepayments and advances	637,635	-	637,635
Due from related parties	567,365	-	567,365
Cash and bank balances	404,600	-	404,600
	1,609,600	**2,446**	**1,612,046**

30 September 2021 (unaudited)	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
Liabilities as per condensed consolidated statement of financial position			
Trade and other payables	380,986	-	380,986
Retentions payable	45,550	-	45,550
Borrowings	724,193	-	724,193
	1,150,729	**-**	**1,150,729**

31 December 2020 (audited)	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
Assets as per condensed consolidated statement of financial position			
Equity instrument at fair value other comprehensive income	-	3,413	3,413
Trade, contract and other receivables excluding prepayments and advances	588,603	-	588,603
Due from related parties	567,044	-	567,044
Long term fixed deposits	39,780	-	39,780
Cash and bank balances	374,904	-	374,904
	1,570,331	**3,413**	**1,573,744**

17. Financial instruments by category (continued)

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

31 December 2020 (audited)	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
Liabilities as per condensed consolidated statement of financial position			
Trade and other payables	342,465	-	342,465
Retentions payable	78,666	-	78,666
Borrowings	826,500	-	826,500
	1,247,631	**-**	**1,247,631**

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

	Level 1 AED'000	Total AED'000
As at 30 September 2021 (unaudited)		
Equity instrument at fair value through other comprehensive income	**2,446**	**2,446**
As at 31 December 2020 (audited)		
Equity instrument at fair value through other comprehensive income	3,413	3,413

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

18. 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 has recognised an impairment charge of AED 12.1 million and present value impact of AED 3.9 million on the fixed deposit. In the current period, Group 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 fixed deposits. Based on the final settlement, the Group has recognised a loss on derecognition of the entire fixed deposit amounting to AED 20 million in the condensed 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.

19. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation:

	Nine month period ended		**Three month period ended**	
	30 September 2021 AED'000	30 September 2020 AED'000	**30 September 2021 AED'000**	30 September 2020 AED'000
	(Unaudited)		**(Unaudited)**	
Profit for the period (AED'000)	**30,800**	13,057	**8,199**	4,540
Weighted average number of ordinary shares ('000)	**5,778,000**	5,778,000	**5,778,000**	5,778,000
Earnings per ordinary share - Basic and Diluted (Fils)	**0.53**	0.23	**0.14**	0.08

20. Impact of COVID-19

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

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

21. Reclassification

Certain comparative figures have been reclassified to improve the quality of the information previously presented. The reclassification does not have any effect on these condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, equity and cash flows.