

DEYAAR DEVELOPMENT PJSC

**REVIEW REPORT AND INTERIM FINANCIAL
INFORMATION**

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2019**

Deyaar Development PJSC

INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2019

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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 2019 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, 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) as issued by International Accounting Standards Board (IASB). 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.

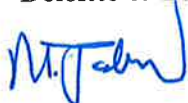
Conclusion

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

Other matter

The consolidated statement of financial position as at 31 December 2018 was audited by another auditor who expressed an unmodified opinion on 20 February 2019. The interim financial information for the period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified conclusion on those information on 17 October 2018.

Deloitte & Touche (M.E.)



Mohammad Jallad
Registration No.: 1164
16 October 2019
Dubai
United Arab Emirates


Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	979,129	731,161
Investment properties	7	355,669	350,592
Investments in a joint venture and an associate	8	1,344,681	1,333,051
Trade, contract and other receivables	9(a)	59,789	10,803
Advance for purchase of properties	9(b)	125,797	129,610
Long term fixed deposits		40,685	42,654
Equity investment at fair value through other comprehensive income		12,800	17,635
		2,918,550	2,615,506
Current assets			
Properties held for development and sale	10	1,278,617	1,395,457
Inventories		2,830	2,660
Trade, contract and other receivables	9(a)	911,245	764,778
Due from related parties	11	812,083	808,674
Cash and bank balances		422,695	616,041
		3,427,470	3,587,610
Total assets		6,346,020	6,203,116
EQUITY			
Share capital	12	5,778,000	5,778,000
Legal reserve		291,204	291,204
Equity investments fair valuation reserve		(6,535)	(1,700)
Accumulated losses		(1,540,185)	(1,592,601)
Total equity		4,522,484	4,474,903
LIABILITIES			
Non-current liabilities			
Borrowings	13	756,877	822,669
Retentions payable		42,360	29,686
Provision for employees' end of service benefits		14,997	13,893
		814,234	866,248
Current liabilities			
Borrowings	13	248,816	191,164
Advances from customers		71,782	10,009
Trade and other payables	14	638,709	627,142
Retentions payable		49,995	33,650
		1,009,302	861,965
Total liabilities		1,823,536	1,728,213
Total equity and liabilities		6,346,020	6,203,116

The interim financial information was approved by the Board of Directors, and authorised for issue on 16 October 2019 and signed on their behalf by:



 Saeed Al Qatami
 Chief Executive Officer



 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 2019

	Notes	Nine month period ended		Three month period ended	
		30 September 2019 AED'000	30 September 2018 AED'000	30 September 2019 AED'000	30 September 2018 AED'000
		(Unaudited)		(Unaudited)	
Revenue		483,329	466,028	145,716	151,981
Direct / operating costs		(329,573)	(318,920)	(85,627)	(113,154)
Other operating income		12,873	12,485	562	4,559
General, administrative and selling expenses		(119,934)	(113,061)	(43,659)	(40,745)
Provision / expense against claims		(341)	(10,321)	380	(173)
Impairment against trade receivables, contract and other financial assets		(2,865)	31,939	(1,293)	31,939
Gain from fair value adjustment on investment properties		10,845	-	-	-
Finance cost		(21,204)	(17,555)	(4,562)	(6,583)
Finance income		5,805	4,363	527	1,778
Share of results from a joint venture and an associate	8	11,631	38,541	3,168	4,741
Write back of provision for impairment against advances for purchase of properties	9(b)	2,481	7,360	1,109	1,270
Profit for the period		53,047	100,859	16,321	35,613
Earnings per share - basic and diluted	19	Fils 0.92	Fils 1.75	Fils 0.28	Fils 0.62

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 2019

	Nine month period ended		Three month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)		(Unaudited)	
Profit for the period	53,047	100,859	16,321	35,613
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Equity investment at fair value through other comprehensive income - net change in fair value	(4,835)	(2,162)	(663)	(1,915)
Total comprehensive income for the period	48,212	98,697	15,658	33,698

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 2019

	Share capital AED'000	Legal reserve AED'000	Available-for-sale fair valuation reserve AED'000	Equity investments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2018, as previously reported	5,778,000	277,189	481	-	(1,056,456)	4,999,214
Cumulative effect on adoption of IFRS 9 – Financial instruments [(refer note 2.3 (ii))]	-	-	(481)	481	(661,233)	(661,233)
Balance at 1 January 2018 (restated)	5,778,000	277,189	-	481	(1,717,689)	4,337,981
<i>Total comprehensive income for the period (unaudited)</i>						
Profit for the period	-	-	-	-	100,859	100,859
Other comprehensive income for the period	-	-	-	(2,162)	-	(2,162)
Total comprehensive income for the period (unaudited)	-	-	-	(2,162)	100,859	98,697
Adjustments to Board of Directors' remuneration	-	-	-	-	848	848
Balance at 30 September 2018 (unaudited)	5,778,000	277,189	-	(1,681)	(1,615,982)	4,437,526
Balance at 1 January 2019, as previously reported (audited)	5,778,000	291,204	-	(1,700)	(1,592,601)	4,474,903
<i>Total comprehensive income for the period (unaudited)</i>						
Profit for the period	-	-	-	-	53,047	53,047
Other comprehensive income for the period	-	-	-	(4,835)	-	(4,835)
Total comprehensive income for the period (unaudited)	-	-	-	(4,835)	53,047	48,212
Adjustments to Board of Directors' remuneration [Refer note 11(b)]	-	-	-	-	(631)	(631)
Balance at 30 September 2019 (unaudited)	5,778,000	291,204	-	(6,535)	(1,540,185)	4,522,484

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 2019

	Notes	Nine month ended	
		30 September 2019 AED'000	30 September 2018 AED'000
(Unaudited)			
Cash flows from operating activities			
Net cash (used in)/generated from operating activities	15	(106,575)	73,026
Cash flows from investing activities			
Additions to property and equipment		(63,858)	(147,540)
Addition to investment properties		-	(10)
Net movement in term deposits with an original maturity greater than three months		(16,574)	(12,461)
Income from deposits		5,550	3,689
Net cash used in investing activities		(74,882)	(156,322)
Cash flows from financing activities			
Repayments of borrowings	13	(211,905)	(76,025)
Drawdown of borrowings	13	203,765	233,468
Finance costs paid		(21,572)	(16,606)
Net cash (used in)/generated from financing activities		(29,712)	140,837
Net (decrease)/increase in cash and cash equivalents		(211,169)	57,541
Cash and cash equivalents, beginning of the period		543,856	265,950
Reversal/(impairment) loss on bank balances		49	(106)
Cash and cash equivalents, end of the period		332,736	323,385

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

Cash in hand	311	119
Current accounts	178,005	235,913
Fixed deposits	290,058	256,107
	468,374	492,139
Less: provision for impairment	(4,994)	(4,593)
Cash and bank balances, net	463,380	487,546
Less: deposits with an original maturity greater than three months	(130,644)	(164,161)
Cash and cash equivalents	332,736	323,385

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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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 principal activities of the Company and its subsidiaries (together, the “Group”) are property investment and development, facilities and property management services.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim financial information for the nine month period ended 30 September 2019 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 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of UAE Federal Law No. (2) of 2015.

Changes to significant accounting policies are described in note 2.3.

2.2 Summary of significant accounting policies

Except for the changes in accounting for leases resulting from adoption of IFRS 16, the accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018. The Group had adopted IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

2.3 Change in significant accounting policies

(i) IFRS 16 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Change in significant accounting policies (continued)

(i) IFRS 16 Leases (continued)

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings where it is a lessee, the Group has elected not to separate non-lease components and accounted for the lease and non-lease components as a single lease component.

a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Change in significant accounting policies (continued)

(i) IFRS 16 Leases (continued)

a) As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other operating income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Based on management's assessment, the application of IFRS 16 – Leases does not have a material impact on this interim financial information as a lessor or as a lessee and hence, the Group did not make any adjustments in this regard.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Change in significant accounting policies (continued)

(ii) IFRS 9 Financial instruments

During the previous year, the Group had adopted IFRS 9 which was applicable from 1 January 2018. The following table summarises the impact of transition to IFRS 9 on impairment loss on opening balances as of 1 January 2018:

	31 December 2017 AED'000 (As previously reported)	Impact of re-measurement under IFRS 9 AED'000	1 January 2018 AED'000 (Restated)
<i>Impairment loss on:</i>			
Trade, contract and other receivables	(112,239)	(5,198)	(117,437)
Due from related parties	(1,345)	(651,978)	(653,323)
Long term fixed deposits	-	(3,940)	(3,940)
Cash and bank balances	-	(117)	(117)
	<u>(113,584)</u>	<u>(661,233)</u>	<u>(774,817)</u>

3. Estimates and assumptions

The preparation of 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 2018 except for new significant judgement and key source of estimation uncertainty related to application of IFRS 16 which are described in note 2.3.

The Group has an established control framework with respect to the measurement of fair values, and management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

3. Estimates and assumptions (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

4. Financial risk management

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

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

These 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 2018. The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

5. Segment 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 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.

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 AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<i>Nine month period ended</i>				
<i>30 September 2019 (unaudited)</i>				
Segment revenues – external	403,808	70,841	8,680	483,329
Segment profit / (loss)	57,638	9,045	(13,636)	53,047
<i>As at 30 September 2019 (unaudited)</i>				
Segment assets	5,645,797	290,110	410,113	6,346,020
Segment liabilities	1,634,484	148,970	40,082	1,823,536

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

5. Segment information (continued)

Operating segment (continued)

	Property development AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<i>Nine month period ended</i>				
<i>30 September 2018 (unaudited)</i>				
Segment revenues - external	398,009	68,019	-	466,028
Segment profit	89,850	11,009	-	100,859
<i>As at 31 December 2018 (audited)</i>				
Segment assets	5,940,326	262,790	-	6,203,116
Segment liabilities	1,497,809	230,404	-	1,728,213

In the current period, management has determined a new segment, "Hospitality" based on criteria established for segment reporting. Certain assets relating to this segment were completed and ready for use in the current period (note 6).

Geographic information

The carrying amount of total assets located outside the United Arab Emirates as at 30 September 2019 is AED 3.3 million (31 December 2018: AED 3.3 million).

6. Property and equipment

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

During the period, the Group has spent AED 115.2 million on capital work in progress relating to hotel and service apartment buildings and AED 3.4 million on other property and equipment, which includes an accrual of AED 54.7 million. The Group has also reclassified additional units in a service apartment building amounting to AED 132.4 million and units in residential apartment building AED 7.3 million from property held for sale based on change in use of these units (note 10). In the current period, the Group has put to use, capital work in progress representing certain units in a service apartment building and related assets amounting to AED 402.7 million. 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. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The Group depreciates buildings from 20 to 35 years and furniture and fixtures from 4 to 8 years. Furthermore, the depreciation expense of the Group in the current period amounted to AED 8.8 million.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

7. Investment properties

	Office building AED'000	Parking spaces AED'000	Stores units AED'000	Retail units AED'000	30 September 2019 Total AED'000	31 December 2018 Total AED'000
	(Unaudited)				(Audited)	
Fair value at the beginning of the reporting period/year	83,707	68,914	10,711	187,260	350,592	338,019
Additions	-	-	-	-	-	44
Disposal	-	-	-	-	-	(165)
Transfer (to)/from properties held for sale (Note 10)	-	(7,184)	-	-	(7,184)	11,470
Transfer from property and equipment	1,416	-	-	-	1,416	-
Net gain from fair value adjustments on investment properties	-	8,238	2,607	-	10,845	1,224
Fair value at the end of reporting period/year	85,123	69,968	13,318	187,260	355,669	350,592

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

During the current period, the Group has reclassified additional units of parking spaces and stores from properties held for sale to investment properties as a result of change in use of these units. These units were reclassified to investment properties at their fair value resulting in a total fair value gain of AED 8.2 million and AED 2.6 million, respectively (note 10).

The Group has also reclassified certain parking spaces from investment properties to properties held for sale as a result of change in use of these parking spaces. These parking spaces were earlier recognised in accordance with the fair value accounting policy adopted for measurement of the investment property and upon reclassification, the carrying value of the parking spaces was deemed to be its cost in accordance with accounting policy adopted for recognition and measurement of properties held for development and sale (note 10).

Furthermore, the Group has reclassified a certain unit from property and equipment to investment property as a result of change in use of this unit. The unit was reclassified to investment properties at carrying value on the date of transfer.

Investment properties are recognised at fair value and categorised within the level 3 of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety.

Investment properties with carrying value of AED 250.2 million (31 December 2018: AED 248.7 million) are mortgaged against bank borrowings (note 13).

For retail units, parking spaces and store units, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2018 provided by an independent professionally qualified valuer. The valuer has used sales comparison method to determine the fair values of these assets. Management believes that there was no material variance in the value of Group's investment properties at end of the current period.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

8. Investments in a joint venture and an associate

In the previous period, share of the results from joint venture includes fair valuation gain of AED 26.7 million on the investment properties portfolio held by the joint venture based on management's internal assessment of Group's share in these properties.

9(a) Trade, contract and other receivables

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Trade and unbilled receivables	837,883	656,137
Other receivables	133,151	119,444
	971,034	775,581
Trade receivables		
Amounts receivable within 12 months	273,430	317,856
Contract assets		
Unbilled receivables within 12 months	504,664	327,478
Unbilled receivables after 12 months	59,789	10,803
	837,883	656,137

The above trade receivables are net of provision for impairment amounting to AED 117.5 million (2018: AED 116.4 million) relating to trade receivables which are past due. All the other receivables are considered recoverable.

9(b) Advance for purchase of properties

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Advance for purchase of share in real estate project	390,755	397,049
Less: provision for impairment	(264,958)	(267,439)
	125,797	129,610

In previous years, the Group had entered into a Memorandum of Understanding (MoU) for purchase of a share in a portfolio of investment properties in a real estate project. The advance is recoverable by means of transfer of the Group's share of properties in the project. In 2018, the Group had signed an agreement where the parties including the Group will jointly allocate the project's assets in proportion to the share of each party in the project. The allocation of the Group's share of properties is expected to be completed in 2019.

10. Properties held for development and sale

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

Management's assessment of the net realisable value of the properties held for development and sale resulted in a net reversal of an impairment amounting to AED 2.9 million (*for the year ended 31 December 2018: AED 1.3 million and for nine month period ended 30 September 2018: AED 0.6 million*), which was recognised in these condensed consolidated statement of profit or loss under "direct / operating costs".

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

10. Properties held for development and sale (continued)

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 current period, the Group has reclassified additional units of parking spaces and stores to investment properties from properties held for sale as a result of change in use of these units. These units were reclassified to investment properties at their fair value on the date of transfer (note 7).

Furthermore, the Group has also reclassified certain units of parking spaces amounting to AED 7.2 million from investment properties to properties held for sale as a result of change in use of these units (note 7).

During the current period, the Group has reclassified additional units in a service apartment building amounting to AED 132.4 million and units in residential apartment building amounting to AED 7.3 million based on change in use of these units (note 6).

11. 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 2019	30 September 2018	30 September 2019	30 September 2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
A significant shareholder				
Other operating income/finance income	2,312	1,465	1,145	394
Finance cost	17,032	13,952	4,172	4,622
Borrowings drawn down	141,000	83,159	23,000	18,267
Borrowings repayment	88,220	57,687	12,820	32,040
Joint venture				
Other operating income	1,517	-	82	-

(b) Remuneration of key management personnel

	Nine month period ended		Three month period ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short term employees' benefits	10,100	9,824	3,296	6,600
Termination and post-employment benefits	355	281	158	188
	10,455	10,105	3,454	6,788

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

11. Related party transactions and balances (continued)

(b) Remuneration of key management personnel (continued)

During the current period, an additional provision for the Board of Directors' remuneration amounting to AED 600 thousands was recognised (*during the nine month period ended 30 September 2018: reversal of AED 800 thousands*) based on the final approval of the shareholders in the Annual General Meeting dated 15 April 2019.

(c) Due from related parties

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Due from a joint venture	8,390	5,068
Due from other related parties	1,200,224	1,200,151
	1,208,614	1,205,219
Less: provision for impairment	(396,531)	(396,545)
	812,083	808,674

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.

Following various amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 30 September 2019 is AED 1,199 million (*31 December 2018: AED 1,199 million*) against which a provision for impairment amounting to AED 395 million exists. The outstanding balance based on the last amendment effective from 31 December 2018, is to be settled by the purchaser no later than 31 December 2019.

In 2018, the Group had signed an amendment and partial settlement agreement with the purchaser for partial settlement of receivable balance by AED 602 million. A portion of this receivable amounting to AED 311 million was settled through a plot of land which was recorded at its fair value (refer below).

Impairment provision

In 2018, provision for an amount of AED 652 million was recognised as an adjustment to equity as per transition requirements of IFRS 9. Subsequently, on partial settlement of receivable during the previous year, an amount of AED 225 million was written off against the provision for impairment. Furthermore, a reversal of provision for impairment based on updated estimates in expected credit loss model amounting to AED 32 million was recognised in the Group's consolidated financial statements for the year ended 31 December 2018. To determine the provision for impairment, management had applied certain key assumptions and judgments in accordance with IFRS 9 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 a related party

At 30 September 2019, the Group had bank borrowings from a significant shareholder (a bank) of AED 484 million (*31 December 2018: AED 431.2 million*), at market prevailing profit rates. Also refer note 13.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

12. Share capital

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Authorised, issued and fully paid up shares of AED 1 each	5,778,000	5,778,000
	5,778,000	5,778,000

13. Borrowings

	30 September 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Islamic finance obligations		
Current	248,816	191,164
Non-current	756,877	822,669
Total borrowings	1,005,693	1,013,833
		Total AED'000
1 January 2018		668,339
Drawdown		451,079
Repayments		(105,585)
31 December 2018 – audited		1,013,833
1 January 2019		1,013,833
Drawdown		203,765
Repayments		(211,905)
30 September 2019 – unaudited		1,005,693

The Islamic finance obligations represent Ijarah and Murabaha facilities obtained from Dubai Islamic Bank PJSC (a significant shareholder), and from other local Islamic banks. The facilities were availed to finance the properties under construction and working capital requirements. The Islamic finance obligations carry market prevailing profit rates and are repayable in monthly or quarterly instalments over a period of three to twelve years from the reporting date (*31 December 2018: three to twelve years*).

The Islamic finance obligations are secured by mortgages over properties classified under property held for development and sale (note 10), property and equipment and investment properties (note 7). Further, certain facilities with banks are subject to financial covenants. Also refer note 11.

14. 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. 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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

15. Cash flows from operating activities

	Nine month period ended 30 September	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Profit for the period	53,047	100,859
Adjustments for:		
Depreciation	8,816	4,673
Provision for employees' end of service benefits	2,275	1,911
Reversal of provision for impairment of properties held for development and sale	2,865	(660)
Impairment against trade receivables, contract and other financial assets	(1,241)	(26,531)
Provision for claims	341	4,497
Write back of provision for impairment against advance for purchase of properties	(2,481)	(7,360)
Gain on fair valuation of investment property (note 7)	(10,845)	-
Finance income	(5,805)	(4,363)
Finance costs	21,204	17,555
Share of results from a joint venture and an associate	(11,631)	(38,541)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	56,545	52,040
Payment of employees' end of service benefits	(1,171)	(1,486)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	(27,490)	(299)
Trade and other receivables – non-current	(42,692)	16,511
Trade and other receivables – current	(148,369)	(130,105)
Inventories	(170)	(174)
Retentions payable – non current	12,674	1,598
Retentions payable – current	16,345	(26,460)
Advances from customers	61,773	(15,364)
Trade and other payables	(30,624)	14,247
Due from related parties	(3,396)	162,004
Due to related parties	-	514
Net cash (used in)/generated from operating activities	(106,575)	73,026

Bank accounts include balance of AED 21.8 million (31 December 2018: AED 134.2 million) and fixed deposits of AED 90 million (31 December 2018: AED 5 million) at market prevailing profit rates held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of development properties.

16. Commitments

At 30 September 2019, the Group had total commitments of AED 167.6 million (31 December 2018: AED 412 million) with respect to project related contracts issued net of invoices received and accruals made at that date. The Group also had commitments with respect to purchase of land of AED 170.4 million (31 December 2018: AED 170.4 million) [(Refer note 11(c) and note 17)].

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

17. Contingent liabilities

At 30 September 2019, 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 12.1 million (31 December 2018: AED 135.6 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 (2018: AED 3.4 million). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

The Group is also a party to certain legal cases in respect of certain plots of land and party to various potential claims from customers and, where necessary, makes adequate provisions against any potential claims. Such provisions are reassessed regularly to include significant claims and instances of potential litigations. Based on review of opinion provided by the legal advisors / internal legal team, management is of the opinion that no material cash outflow in respect of these claims is expected to be paid by the Group in these legal cases over and above the existing provision in the books of accounts. The Group has elected not to present the complete disclosures as required by IAS 37 "Provisions, contingent liabilities and contingent assets" as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters. Also refer note 16.

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 significant cash outflows for the Group.

18. Financial instruments by category

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

30 September 2019 (unaudited)	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
<i>Assets as per statement of financial position</i>			
Equity instrument at fair value other comprehensive income	-	12,800	12,800
Trade, contract and other receivables excluding prepayments and advances	893,673	-	893,673
Due from related parties	812,083	-	812,083
Long term fixed deposits	40,685	-	40,685
Bank balances	422,384	-	422,384
	2,168,825	12,800	2,181,625

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

18. Financial instruments by category (continued)

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

30 September 2019 (unaudited)	Amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position		
Trade and other payables	638,709	638,709
Retentions payable	92,355	92,355
Borrowings	1,005,693	1,005,693
	1,736,757	1,736,757

31 December 2018 (audited)	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
Assets as per statement of financial position			
Equity instrument at fair value other comprehensive income	-	17,635	17,635
Trade, contract and other receivables excluding prepayments and advances	691,075	-	691,075
Due from related parties	808,674	-	808,674
Long term fixed deposits	42,654	-	42,654
Bank balances	615,888	-	615,888
	2,158,291	17,635	2,175,926

31 December 2018 (audited)	Amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position		
Trade and other payables	627,142	627,142
Retentions payable	63,336	63,336
Borrowings	1,013,833	1,013,833
	1,704,311	1,704,311

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (continued)

18. Financial instruments by category (continued)

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 2019 (unaudited)		
Equity instrument at fair value through other comprehensive income	12,800	12,800
As at 31 December 2018 (audited)		
Equity instrument at fair value through other comprehensive income	17,635	17,635

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.

19. Earnings per share

Basic and diluted earnings per share is calculated by driving 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 30 September		Three month period ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit for the period (AED '000)	53,047	100,859	16,321	35,613
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)	0.92	1.75	0.28	0.62

20. 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.