

DEYAAR DEVELOPMENT PJSC

**REVIEW REPORT AND INTERIM FINANCIAL
INFORMATION**

**FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2019**

Deyaar Development PJSC

INTERIM FINANCIAL INFORMATION (Unaudited)

For the six month period ended 30 June 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 June 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 six month period then ended. Management is responsible for the preparation and 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.

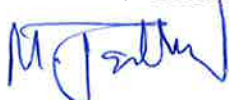
Conclusion

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.

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 June 2018 were reviewed by another auditor who expressed an unmodified conclusion on those information on 29 July 2018.

Deloitte & Touche (M.E.)



Mohammad Jallad
Registration No. 1164
Dubai
United Arab Emirates

01 AUG 2019

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	915,730	731,161
Investment properties	7	355,532	350,592
Investments in a joint venture and an associate	8	1,341,514	1,333,051
Trade, contract and other receivables		6,732	10,803
Advance for purchase of properties	9	124,688	129,610
Long term fixed deposits		43,001	42,654
Equity investment at fair value through other comprehensive income		13,463	17,635
		2,800,660	2,615,506
Current assets			
Properties held for development and sale	10	1,286,760	1,395,457
Inventories		2,825	2,660
Trade, contract and other receivables		889,925	764,778
Due from related parties	11	811,862	808,674
Cash and bank balances		485,860	616,041
		3,477,232	3,587,610
Total assets		6,277,892	6,203,116
EQUITY			
Share capital	12	5,778,000	5,778,000
Legal reserve		291,204	291,204
Equity investments fair valuation reserve		(5,872)	(1,700)
Accumulated losses		(1,556,506)	(1,592,601)
Total equity		4,506,826	4,474,903
LIABILITIES			
Non-current liabilities			
Borrowings	13	803,356	822,669
Retentions payable		37,626	29,686
Provision for employees' end of service benefits		14,095	13,893
		855,077	866,248
Current liabilities			
Borrowings	13	193,513	191,164
Advances from customers		67,100	10,009
Trade and other payables	14	608,466	627,142
Retentions payable		46,749	33,650
Due to a related party	11	161	-
		915,989	861,965
Total liabilities		1,771,066	1,728,213
Total equity and liabilities		6,277,892	6,203,116

The interim financial information was approved by the Board of Directors, and authorised for issue on **01 AUG 2019** and signed on their behalf by:



 Saeed Al Qatani
 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 six month period ended 30 June 2019

	<i>Notes</i>	Six month ended		Three month ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		AED'000	AED'000	AED'000	AED'000
		(Unaudited)		(Unaudited)	
Revenue		337,613	314,047	161,771	137,583
Direct / operating costs		(243,946)	(205,766)	(116,614)	(76,477)
Other operating income		12,311	7,926	8,399	3,579
General, administrative and selling expenses		(76,275)	(72,316)	(38,316)	(38,375)
Impairment against trade receivables, contract and other financial assets		(1,572)	-	(446)	-
Provision / expense against claims		(721)	(10,148)	(29)	(1,154)
Gain from fair value on investment properties, net		10,845	-	2,606	-
Finance cost		(16,642)	(10,972)	(5,609)	(4,953)
Finance income		5,278	2,585	2,230	397
Share of results from a joint venture and an associate; net		8,463	33,800	4,368	3,301
Write back of provision for impairment against advances for purchase of properties	<i>9</i>	1,372	6,090	102	1,270
Profit for the period		36,726	65,246	18,462	25,171
Earnings per share – basic and diluted	<i>19</i>	Fils 0.64	Fils 1.13	Fils 0.32	Fils 0.44

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 six month period ended 30 June 2019

	Six month ended		Three month ended	
	30 June 2019 AED'000	30 June 2018 AED'000	30 June 2019 AED'000	30 June 2018 AED'000
	(Unaudited)		(Unaudited)	
Profit for the period	36,726	65,246	18,462	25,171
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	(4,172)	(247)	(1,328)	227
Total comprehensive income for the period	32,554	64,999	17,134	25,398

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 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	-	-	-	-	65,246	65,246
Other comprehensive income for the period	-	-	-	(247)	-	(247)
Total comprehensive income for the period (unaudited)	-	-	-	(247)	65,246	64,999
Adjustments to Board of Directors' remuneration	-	-	-	-	848	848
Balance at 30 June 2018 (unaudited)	5,778,000	277,189	-	234	(1,651,595)	4,403,828
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	-	-	-	-	36,726	36,726
Other comprehensive income for the period	-	-	-	(4,172)	-	(4,172)
Total comprehensive income for the period (unaudited)	-	-	-	(4,172)	36,726	32,554
Adjustments to Board of Directors' remuneration (Refer note 11(b))	-	-	-	-	(631)	(631)
Balance at 30 June 2019 (unaudited)	5,778,000	291,204	-	(5,872)	(1,556,506)	4,506,826

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2019

	<i>Notes</i>	Six month ended	
		30 June 2019 AED'000	30 June 2018 AED'000
		(Unaudited)	
Cash flows from operating activities			
Net cash used in operating activities	<i>15</i>	(59,443)	(102,729)
Cash flows from investing activities			
Additions to property and equipment		(42,982)	(108,990)
Addition to investment properties		-	(10)
Net movement in term deposits with an original maturity greater than three months		(8,519)	89,870
Income from deposits		4,412	2,585
Net cash used in investing activities		(47,089)	(16,545)
Cash flows from financing activities			
Repayments of borrowings	<i>13</i>	(188,664)	(37,657)
Drawdown of borrowings	<i>13</i>	171,700	136,428
Finance costs paid		(14,872)	(7,480)
Net cash (used in)/generated from financing activities		(31,836)	91,291
Net decrease in cash and cash equivalents		(138,368)	(27,983)
Cash and cash equivalents, beginning of the period		543,856	265,950
Reversal/(impairment) loss on bank balances		51	(147)
Cash and cash equivalents, end of the period		405,539	237,820
For the purpose of statement of cash flows, cash and cash equivalents comprise:			
Cash in hand		325	124
Current accounts		188,292	180,381
Fixed deposits		344,503	123,779
		533,120	304,284
Less: provision for impairment		(4,259)	(4,635)
Cash and bank balances, net		528,861	299,649
Less: deposits with an original maturity greater than three months		(123,322)	(61,829)
Cash and cash equivalents		405,539	237,820

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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 six month period ended 30 June 2019 have 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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Change in significant accounting policies (continued)

(i) IFRS 16 Leases (continued)

- 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.

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 in which it is a lessee, the Group has elected not to separate non-lease components and account 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.

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

2. Basis of preparation and accounting policies (continued)

2.3 Change in significant accounting policies (continued)

(i) *IFRS 16 Leases (continued)*

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.

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, plant and equipment' and lease liabilities in 'loans and 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 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 SIX MONTH PERIOD ENDED 30 JUNE 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 <i>(As previously reported)</i>	Impact of re-measurement under IFRS 9 AED'000	1 January 2018 AED'000 <i>(Restated)</i>
Impairment loss on:			
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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

3. Estimates and assumptions (continued)

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

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. Segmental information

Operating segment

The Board of Directors are the Group's chief operating decision maker. The Board considers the business of the group as a whole for the purpose of decision making. Management has determined the operating segments based on segments identified for the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: property development, properties and facilities management and hospitality.

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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

5. Segmental information (continued)

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
Six month period ended 30 June 2019 (unaudited)				
Segment revenues – external	287,284	46,471	3,858	337,613
Segment profit / (loss)	39,234	5,399	(7,907)	36,726
As at 30 June 2019 (unaudited)				
Segment assets	5,868,222	280,656	129,014	6,277,892
Segment liabilities	1,613,152	145,570	12,344	1,771,066
Six month period ended 30 June 2018 (unaudited)				
Segment revenues – external	270,038	44,009	-	314,047
Segment profit	57,188	8,058	-	65,246
As at 31 December 2018 (audited)				
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 June 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 57 million on capital work in progress relating to hotel and service apartment buildings. The Group has also reclassified additional units in a service apartment building amounting to AED 130.5 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 125.2 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 4.8 million.

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

7. Investment properties

	Office building AED'000	Parking spaces AED'000	Stores units AED'000	Retail units AED'000	30 June 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	-	(7,185)	-	-	(7,185)	11,470
Transfer from property and equipment	1,279	-	-	-	1,279	-
Net gain from fair value adjustments on investment properties	-	8,239	2,607	-	10,846	1,224
Fair value at the end of reporting period/year	84,986	69,968	13,318	187,260	355,532	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, plant & 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 250.02 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 SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

8. Investment 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. Advance for purchase of properties

	30 June 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	(266,067)	(267,439)
	124,688	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 1.24 million (*for the year ended 31 December 2018: AED 1.3 million and for six month period ended 30 June 2018: AED 0.4 million*), which was recognised in these condensed consolidated statement of profit or loss under "direct / operating costs".

Net realisable value has been determined on the basis of committed sale price if the remaining receivable amount is lower than the current market value of the units booked by customers. For units not yet booked by customers, net realisable value takes into consideration the expected market prices.

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 130.5 million based on change in use of these units (note 6).

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

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:

	Three month period ended		Six month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
A significant shareholder				
Other operating income/finance income	514	4	1,167	1,071
Finance cost	6,606	4,593	12,860	9,330
Borrowings drawn down	58,500	45,303	111,000	64,532
Borrowings repayment	62,581	12,139	75,400	25,639
Joint venture				
Other operating income	1,435	-	1,435	-

(b) Remuneration of key management personnel

	Three month period ended		Six month period ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short term employees' benefits	3,402	3,223	6,804	6,378
Termination and post-employment benefits	99	93	197	183
	3,501	3,316	7,001	6,561

During the current period, an additional provision for the Board of Directors' remuneration amounting to AED 0.6 million was recognised (*during the six month period ended 30 June 2018: reversal of AED 0.8 million*) based on the final approval of the shareholders in the Annual General Meeting dated 15 April 2019.

(c) Due from related parties

	30 June 2019	31 December 2018
	AED'000	AED'000
	(Unaudited)	(Audited)
Due from a joint venture	8,266	5,068
Due from other related parties	1,200,127	1,200,151
	1,208,393	1,205,219
Less: provision for impairment	(396,531)	(396,545)
	811,862	808,674

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

11. Related party transactions and balances (continued)

(c) Due from related parties

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 June 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 and note 10).

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 – 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 a related party

	30 June 2019 AED’000 (Unaudited)	31 December 2018 AED’000 (Audited)
Current		
Due to a significant shareholder	161	-
	161	-

At 30 June 2019, the Group had bank borrowings from a significant shareholder (a bank) of AED 448.3 million (*31 December 2018: AED 431.2 million*), at market prevailing profit rates. Also refer note 13.

12. Share capital

	30 June 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

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

13. Borrowings

	30 June 2019 AED'000 (Unaudited)	31 December 2018 AED'000 (Audited)
Islamic finance obligations		
Current	193,513	191,164
Non-current	803,356	822,669
Total borrowings	996,869	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		171,700
Repayments		(188,664)
30 June 2019 – unaudited		996,869

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 SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

15. Cash flows from operating activities

	Six month ended 30 June	
	2019 AED'000 (Unaudited)	2018 AED'000 (Unaudited)
Profit for the period	36,726	65,246
Adjustments for:		
Depreciation	4,789	3,126
Provision for employees' end of service benefits	1,357	1,285
Reversal of provision for impairment of properties held for development and sale	(1,241)	(353)
Impairment against trade receivables, contract and other financial assets	1,572	5,713
Provision for claims	721	4,222
Write back of provision for impairment against advance for purchase of properties	(1,372)	(6,090)
Gain on fair valuation of investment property (note 7)	(10,846)	-
Finance income	(5,278)	(2,585)
Finance costs	16,642	10,972
Share of results from a joint venture and an associate	(8,463)	(33,800)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	34,607	47,736
Payment of employees' end of service benefits	(1,155)	(1,123)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	(26,050)	(24,044)
Trade and other receivables – non current	10,365	16,168
Trade and other receivables – current	(47,820)	(112,179)
Due from related parties	(81,236)	11,045
Inventories	(165)	(52)
Retentions payable – non current	7,940	(6,529)
Retentions payable – current	13,099	(26,960)
Advances from customers	57,091	(14,794)
Trade and other payables	(26,280)	7,915
Due to related parties	161	88
Net cash used in operating activities	(59,443)	(102,729)

Bank accounts include balance of AED 40.7 million (31 December 2018: AED 134.2 million) and fixed deposits of AED 80 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 June 2019, the Group had total commitments of AED 203 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 SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

17. Contingent liabilities

At 30 June 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 139.1 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 June 2019 (unaudited)	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	-	13,463	13,463
Trade, contract and other receivables excluding prepayments and advances	811,708	-	811,708
Due from related parties	811,862	-	811,862
Long term fixed deposits	43,001	-	43,001
Bank balances	485,535	-	485,535
	2,152,106	13,463	2,165,569
		Amortised cost AED'000	Total AED'000
Liabilities as per statement of financial position			
Trade and other payables		608,466	608,466
Retentions payable		84,375	84,375
Borrowings		996,869	996,869
		1,689,710	1,689,710

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

18. Financial instruments by category (continued)

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2018 (audited)			
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

	Amortised cost AED'000	Total AED'000
31 December 2018 (audited)		
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

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

	Level 1 AED'000	Total AED'000
As at 30 June 2019 (unaudited)		
Equity instrument at fair value through other comprehensive income	13,463	13,463
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.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (continued)

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.

	Three month ended 30 June		Six month ended 30 June	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period (AED '000)	18,462	25,171	36,726	65,246
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)	0.32	0.44	0.64	1.13

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.