

Deyaar Development PJSC

**Review report and interim financial
information
for the nine month period ended
30 September 2022**

Content	<u>Pages</u>
Report on review of interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of profit or loss and other comprehensive income	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial information	7 - 19

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 interim statement of financial position of **Deyaar Development PJSC** (the “Company”) and its **Subsidiaries** (together the “Group”) as at 30 September 2022 and the related condensed consolidated interim statements of profit or loss, profit or loss and other comprehensive income, for the three month and nine month period ended 30 September 2022, the condensed consolidated interim statement of changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34: “*Interim Financial Reporting*” (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)



Akbar Ahmad
Registration No. 1141
19 October 2022
Dubai
United Arab Emirates

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	525,692	535,688
Investment properties	7	762,697	758,231
Investments in a joint venture and an associate		1,371,781	1,364,570
Trade, contract and other receivables	8	286,603	143,615
Equity investment at fair value through other comprehensive income		5,087	5,461
		2,951,860	2,807,565
Current assets			
Properties held for development and sale	9	1,508,851	1,520,597
Inventories		2,832	2,430
Trade, contract and other receivables	8	601,363	583,227
Due from related parties	10	412,369	414,154
Cash and bank balances		661,459	463,544
		3,186,874	2,983,952
Total assets		6,138,734	5,791,517
EQUITY			
Share capital	11	4,375,838	5,778,000
Legal reserve		-	303,438
Equity investment fair valuation reserve		(14,248)	(13,874)
Retained earnings/(accumulated losses)		103,104	(1,705,600)
Total equity		4,464,694	4,361,964
LIABILITIES			
Non-current liabilities			
Borrowings	12	840,872	716,257
Retentions payable		10,481	4,270
Provision for employees' end of service benefits		15,962	15,096
		867,315	735,623
Current liabilities			
Borrowings	12	110,202	78,928
Advances from customers	13	187,986	142,486
Trade and other payables	14	462,373	429,373
Retentions payable		45,448	42,386
Due to related parties	10	716	757
		806,725	693,930
Total liabilities		1,674,040	1,429,553
Total equity and liabilities		6,138,734	5,791,517

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

The condensed consolidated interim financial information was approved on 19 October 2022 by:


 Saeed Al Qatami
 Chief Executive Officer


 Hani K. Fansa
 Chief Financial Officer

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the nine month period ended 30 September 2022

	Nine month ended		Three month ended		
	30 September	30 September	30 September	30 September	
	2022	2021	2022	2021	
Notes	AED'000	AED'000	AED'000	AED'000	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		
Revenue	577,150	418,157	207,723	120,733	
Direct costs	(381,911)	(270,090)	(140,500)	(75,001)	
General, administrative and selling expenses	(129,216)	(106,977)	(39,408)	(35,956)	
Provision / expense against claims	(1,150)	(844)	(1,020)	(23)	
Other operating income/(expense), net	26,980	6,568	7,526	(2,112)	
Finance cost	(24,352)	(20,894)	(9,716)	(6,363)	
Finance income	1,206	1,381	541	223	
Share of results from a joint venture and an associate	34,547	23,498	11,200	6,698	
Profit before fair value adjustments and impairment losses	103,254	50,799	36,346	8,199	
Loss on derecognition of fixed deposits	-	(19,999)	-	-	
Profit for the period	103,254	30,800	36,346	8,199	
Earnings per share – basic and diluted	19	Fils 2.36	Fils 0.53	Fils 0.83	Fils 0.14

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine month period ended 30 September 2022

	Nine month ended		Three month ended	
	30 September 2022 AED'000	30 September 2021 AED'000	30 September 2022 AED'000	30 September 2021 AED'000
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Profit for the period	103,254	30,800	36,346	8,199
Other comprehensive (loss)/profit				
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Equity investment at fair value through other comprehensive (loss)/profit - net change in fair value	(374)	(967)	598	(152)
Total comprehensive income for the period	102,880	29,833	36,944	8,047

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2022

	Share capital AED'000	Legal reserve AED'000	Equity investments fair valuation reserve AED'000	Retained Earnings/ Accumulated (losses) AED'000	Total equity AED'000
Balance at 1 January 2021, as previously reported (audited)	5,778,000	298,358	(15,922)	(1,748,472)	4,311,964
<i>Total comprehensive (loss)/income for the period (unaudited)</i>					
Profit for the period	-	-	-	30,800	30,800
Other comprehensive loss for the period	-	-	(967)	-	(967)
Total comprehensive (loss)/income for the period (unaudited)	-	-	(967)	30,800	29,833
Balance at 30 September 2021 (unaudited)	5,778,000	298,358	(16,889)	(1,717,672)	4,341,797
Balance at 1 January 2022, as previously reported (audited)	5,778,000	303,438	(13,874)	(1,705,600)	4,361,964
Approved reduction (Refer Note 11)	(1,402,162)	(303,438)	-	1,705,600	-
<i>Total comprehensive (loss)/income for the period (unaudited)</i>					
Profit for the period	-	-	-	103,254	103,254
Other comprehensive loss for the period	-	-	(374)	-	(374)
Total comprehensive (loss)/income for the period (unaudited)	-	-	(374)	103,254	102,880
Adjustments to Board of Directors' remuneration [Refer Note 10 (b)]	-	-	-	(150)	(150)
Balance at 30 September 2022 (unaudited)	4,375,838	-	(14,248)	103,104	4,464,694

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2022

	Notes	Nine month period ended	
		30 September 2022 AED'000	30 September 2021 AED'000
<i>(Unaudited)</i>			
Cash flows from operating activities			
Net cash generated from operating activities	15	39,260	104,065
Cash flows from investing activities			
Additions to property and equipment		(4,246)	(1,822)
Adjustments to property and equipment		-	1,000
Addition to investment properties		(1,277)	(705)
Repayment from joint venture		-	15,706
Dividend received from a joint venture		25,000	9,294
Dividend received from an associate		2,000	-
Net movement in term deposits with an original maturity greater than three months		30,550	46,445
Income from term deposits		923	1,524
Net cash generated from investing activities		52,950	71,442
Cash flows from financing activities			
Repayments of borrowings	12	(236,205)	(153,107)
Drawdown of borrowings	12	392,094	50,800
Finance costs paid		(19,546)	(21,461)
Net cash generated from/(used in) financing activities		136,343	(123,768)
Net increase in cash and cash equivalents		228,553	51,739
Cash and cash equivalents, beginning of the period		398,029	320,309
(Reversal)/charge of impairment on bank balances		(68)	43
Cash and cash equivalents, end of the period		626,514	372,091
For the purpose of condensed consolidated statement of cash flows; cash and cash equivalents comprise:			
Cash in hand		648	608
Current accounts		426,275	258,814
Fixed deposits		235,020	145,572
		661,943	404,994
Less: provision for impairment		(484)	(394)
Cash and bank balances, net		661,459	404,600
Less: term deposits with an original maturity greater than three months		(34,945)	(32,509)
Cash and cash equivalents		626,514	372,091

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

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022

1. Legal status and activities

Deyaar Development PJSC (the “Company”) was incorporated and registered as a Public Joint Stock Company in the Emirate of Dubai, United Arab Emirates (“UAE”) on 10 July 2007. The registered address of the Company is P. O. Box 30833, Dubai, UAE. The Company is listed on Dubai Financial Market, Dubai, UAE.

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

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

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The management has performed a review of the new provisions and concluded that there is no impact on the Company, however, for subsidiaries, the impact of new provisions and the requirements thereof will be applied no later than one year from the date on which the amendments came into effect.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information for the nine month period ended 30 September 2022 has been prepared in accordance with IAS 34 ‘*Interim Financial Reporting*’. The condensed consolidated interim financial information should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of UAE Federal Law No. (2) of 2015.

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

(a) *New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous .
- Amendments to IFRS 3 Business Combinations relating to reference to conceptual framework.
- Annual improvements to IFRS standards 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

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

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

<u><i>New and revised IFRSs</i></u>	<u><i>Effective for annual periods beginning on or after</i></u>
Amendments to IAS 8 <i>Accounting policies, Changes in accounting estimates and errors</i>	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to classification of Liabilities as Current or Non-Current	1 January 2023

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

2. Basis of preparation and accounting policies (continued)

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendment to <i>IFRS 17 Insurance contracts</i> establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments to <i>IAS 12 Income Taxes</i> relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to <i>IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures</i> relating to treatment of sale or contribution of assets from investors	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial information for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

3. Estimates and assumptions

The preparation of the condensed consolidated 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 condensed consolidated 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 2021.

4. Financial risk management

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

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

The condensed consolidated 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 2021. The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2021.

5. Segment information

Operating segment

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

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

5. Segment information (continued)

Management monitors the operating results of its operating segments for the purpose of making strategic decisions about performance assessment. Segment performance is evaluated based on operating profit or loss.

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<i>Nine month period ended 30 September 2022 (unaudited)</i>				
Segment revenues - external	417,340	96,394	63,416	577,150
Segment profit	73,224	12,927	17,103	103,254
<i>As at 30 September 2022 (unaudited)</i>				
Segment assets	5,070,784	272,331	795,619	6,138,734
Segment liabilities	1,496,357	164,899	12,784	1,674,040
<i>Nine month period ended 30 September 2021 (unaudited)</i>				
Segment revenues - external	301,985	77,567	38,605	418,157
Segment profit	15,556	12,036	3,208	30,800
<i>As at 31 December 2021 (audited)</i>				
Segment assets	5,023,202	227,778	540,537	5,791,517
Segment liabilities	1,264,487	144,461	20,605	1,429,553

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

Geographic information

The carrying amount of total assets located outside the United Arab Emirates as at 30 September 2022 is AED 0.5 million (31 December 2021: AED 0.5 million).

6. Property and equipment

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

Management have reviewed the prior year valuations for all three hotels and believe that there is no material variance in the recoverable value as at 30 September 2022.

The Group has a policy of depreciating assets on a straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value. The Group depreciates buildings for 50 years and furniture and fixtures from 5 to 15 years. Furthermore, the depreciation expense of the Group in the current period amounted to AED 12.4 million (30 September 2021: AED 14.4 million).

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

7. Investment properties

	Mix use Buildings AED'000	Parking Spaces AED'000	Stores units AED'000	Retail units AED'000	Service Apartments AED'000	30 September 2022 Total AED'000	31 December 2021 Total AED'000
	(Unaudited)					(Audited)	
Fair value hierarchy	3	3	3	3	3		
Fair value at the beginning of the reporting period/year	160,313	74,201	14,045	221,549	288,123	758,231	736,077
Additions	-	-	-	589	688	1,277	1,134
Transfer from properties held for development and sale	-	-	-	-	3,189	3,189	13,363
Net gain from fair value adjustments on investment properties	-	-	-	-	-	-	7,657
Fair value at the end of reporting period/year	160,313	74,201	14,045	222,138	292,000	762,697	758,231

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

During the period, the Group has reclassified service apartments units amounting to AED 3.2 million from properties held for development and sale based on change in use of these units. These units were reclassified to investment properties at their fair value and management believes that carrying amount of the units transferred is equivalent to the fair value on the date of transfer (Note 9).

Investment properties with carrying value of AED 426 million (31 December 2021: AED 347.3 million) are mortgaged against bank borrowings (Note 12).

Management have reviewed the prior year valuations for all of its investment properties and believes that there is no material variance in the fair value of the Group's investment properties as at 30 September 2022.

8. Trade, contract and other receivables

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Trade and unbilled receivables	638,703	538,032
Other receivables	249,263	188,810
	887,966	726,842
Current	601,363	583,227
Non-current	286,603	143,615
Total	887,966	726,842
Trade receivables		
Amounts receivable within 12 months	115,760	99,871
Contract assets		
Unbilled receivables within 12 months	236,340	294,546
Unbilled receivables after 12 months	286,603	143,615
	638,703	538,032

The above trade and other receivables are net of provision for impairment amounting to AED 122 million (31 December 2021: AED 120.3 million) relating to trade and other receivables which are past due. All the other receivables are considered recoverable.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

9. Properties held for development and sale

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

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

During the period, the Company has reclassified service apartment units amounting to AED 3.2 million to investment properties based on the change in use of these units (Note 7).

Plots of land including under development projects with total carrying value of AED 872 million (2021: AED 954.7 million) and completed properties with total carrying value of AED 65.6 million (31 December 2021: AED 43.7 million) are mortgaged under Islamic finance obligations (Note 12).

In the current period, the Group has recognised an amount of AED 296.1 million (for the year ended 31 December 2021: AED 220.6 million and for the nine month period ended 30 September 2021: AED 204.9 million) included in the profit or loss under “direct costs” against revenue recognised of AED 388.4 million (for the year ended 31 December 2021: AED 299.3 million and for the nine month period ended 30 September 2021: AED 277.7 million).

For plots of land held for future development and use amounting to AED 691.8 million as at the reporting date (31 December 2021: AED 684.9 million), management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

10. Related party transactions and balances

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

(a) Related party transactions

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

	Nine month period ended		Three month period ended	
	30 September 2022 AED’000 (Unaudited)	30 September 2021 AED’000 (Unaudited)	30 September 2022 AED’000 (Unaudited)	30 September 2021 AED’000 (Unaudited)
Ultimate majority shareholder				
Other operating income/finance income	958	759	652	253
Finance cost	18,319	6,428	6,921	1,908
Borrowings drawdown	205,693	50,800	41,600	21,500
Borrowings repayment	201,129	100,064	21,410	58,000
Joint venture				
Other operating income	673	570	481	209
Dividend income	25,000	-	-	-
Associate				
Dividend income	2,000	-	-	-

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

10. Related party transactions and balances (continued)

(b) Remuneration of key management personnel

	Nine month period ended		Three month period ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)		(Unaudited)	
Salaries and other short-term employees' benefits	10,327	9,857	3,689	3,294
Termination and post-employment benefits	369	324	102	104
Board of Director's sitting fees	125	124	62	62
	10,821	10,305	3,853	3,460

(c) Due from related parties comprises:

	30 September 2022	31 December 2021
	AED'000	AED'000
	(Unaudited)	(Audited)
Current		
Due from a joint venture	551	2,350
Due from other related parties	445,426	445,426
	445,977	447,776
Less: provision for impairment	(33,608)	(33,622)
	412,369	414,154

Impairment provision

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

(d) Due to related parties comprises:

	30 September 2022	31 December 2021
	AED'000	AED'000
	(Unaudited)	(Audited)
Current		
Due to ultimate majority shareholder	606	322
Due to other related party	110	435
	716	757

At 30 September 2022, the Group had bank borrowings from the ultimate majority shareholder of AED 799.7 million (31 December 2021: AED 795.2 million), at market prevailing profit rates (Note 12).

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 146 million (31 December 2021: AED 113 million) and fixed deposits of AED 140 million (31 December 2021: AED 168 million), at market prevailing profit rates.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

11. Share capital

At 30 September 2022 share capital comprised of 4,375,837,645 (31 December 2021: 5,778,000,000 shares) of AED 1 each. All shares are authorised, issued and fully paid up.

At the Annual General Meeting of Shareholders (AGM) in April 2022, the shareholders approved the proposal of the Board of Directors for the reduction of the issued share capital of the Group by partially writing off the accumulated losses amounting to AED 1,705.6 million and using legal reserves amounting to AED 303.4 million against the issued share capital amounting to AED 5,778 million as at 31 December 2021. Accordingly, during the current period management has obtained all the required approvals from the relevant authorities and reflected the share capital reduction as listed below:

	As at 31 December 2021 AED'000	Approved reduction AED'000	As at 30 September 2022 AED'000
Issued share capital	5,778,000	(1,402,162)	4,375,838
Accumulated losses	(1,705,600)	1,705,600	-
Legal reserve	303,438	(303,438)	-

12. Borrowings

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Islamic finance obligations		
Current	110,202	78,928
Non-current	840,872	716,257
Total borrowings	951,074	795,185
		AED'000
1 January 2021		826,500
Drawdown		626,407
Repayments		(657,722)
31 December 2021 (Audited)		795,185
1 January 2022		795,185
Drawdown		392,094
Repayments		(236,205)
30 September 2022 (Unaudited)		951,074

The Islamic finance obligations represent Ijarah and other Islamic facilities obtained from Dubai Islamic Bank PJSC (ultimate majority shareholder), and from other local banks. The facilities were availed to finance the properties under construction and working capital requirements.

During the current period, the Group has signed a new Islamic facility with one local bank amounting to AED 250 million. The existing outstanding facilities with the ultimate majority shareholder was settled partially by utilising the new facility and remaining balance of AED 64 million is available for drawdown to the Group. The new facility carries market prevailing profit rates and is repayable in yearly instalments over five years from the reporting date. The facility is subject to financial covenants.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

12. Borrowings (continued)

Islamic finance obligations with the ultimate majority shareholder carry market prevailing profit rates and are repayable in quarterly instalments over a period of ten years from the reporting date (31 December 2021: ten years).

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

13. Advances from customers

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

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. This includes legal claim made by customers against the Group for refund of partial payments made to purchase certain property units. In accordance with Law No. 13 of 2008 and its subsequent amendment through Law No. 9 of 2009 applicable in the Emirate of Dubai, the Group had earlier forfeited amounts due to failure of customers to pay the outstanding balances as per the Sale and Purchase Agreement. The provisions are based on management's best estimate after considering the potential cash flows in respect of the claim on a case to case basis.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

15. Cash flows from operating activities

	Nine month period ended 30 September	
	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)
Profit for the period	103,254	30,800
Adjustments for:		
Depreciation on property and equipment	12,449	14,356
Provision for employees' end of service benefits	2,688	2,041
Reversal of provision against properties held for development and sale	(6,096)	(3,046)
Impairment/(reversal of provision) against trade receivables, contract and other financial assets	390	(1,677)
Loss on derecognition of long-term fixed deposits	-	19,999
Provision for claims	1,150	844
Finance income	(1,206)	(1,381)
Finance costs	24,352	20,894
Share of results from a joint venture and an associate	(34,547)	(23,498)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	102,434	59,332
Payment of employees' end of service benefits	(1,822)	(1,771)
<i>Changes in working capital:</i>		
Property held for development and sale (net of project cost accruals)	16,446	27,056
Trade and other receivables - non-current	(142,989)	62,668
Trade and other receivables - current	(17,830)	(129,721)
Due from related parties	1,798	(334)
Inventories	(403)	22
Retentions payable - non-current	6,211	(3,657)
Retentions payable - current	3,062	(29,459)
Advances from customers	45,500	81,413
Trade and other payables	26,894	38,245
Due to related parties	(41)	271
Net cash generated from operating activities	39,260	104,065

Bank accounts include a balance of AED 266 million (31 December 2021: AED 202 million) and fixed deposits of AED Nil (31 December 2021: AED 25 million) at market prevailing profit rates held in escrow accounts.

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

Bank accounts balance include a balance of AED 93.7 million (31 December 2021: AED 63.2 million), held in a fiduciary capacity on behalf and for the beneficial interest of third parties, which are recorded in these condensed consolidated financial statements.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

16. Commitments

At 30 September 2022, the Group had total commitments of AED 435.5 million (*31 December 2021: AED 601 million*) with respect to project related contracts issued net of invoices received and accruals made at that date.

17. Contingencies

At 30 September 2022, the Group has contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 237.2 million (*31 December 2021: AED 172.4 million*). Also, the Group has contingent liabilities, on behalf of a subsidiary, in respect to guarantees issued by a bank amounting to AED 3.4 million (*2021: AED 3.4 million*). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

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

Certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any cash outflows for the Group.

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

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

As at 30 September 2022, the court has suspended the auction process of attached properties temporarily on the basis of application filed by the Group and management is in the process of negotiating with the related party to reach a settlement.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

18. Financial instruments by category

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

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
30 September 2022 (unaudited)			
<i>Assets as per condensed consolidated interim statement of financial position</i>			
Equity instrument at fair value other comprehensive income	-	5,087	5,087
Trade, contract and other receivables excluding prepayments and advances	740,500	-	740,500
Due from related parties	412,369	-	412,369
Cash and bank balances	661,459	-	661,459
	1,814,328	5,087	1,819,415

	Amortised cost AED'000		Total AED'000
30 September 2022 (unaudited)			
<i>Liabilities as per condensed consolidated interim statement of financial position</i>			
Trade and other payables	465,169	-	465,169
Retentions payable	55,929	-	55,929
Borrowings	951,074	-	951,074
	1,472,172	-	1,472,172

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2021 (audited)			
<i>Assets as per condensed consolidated interim statement of financial position</i>			
Equity instrument at fair value other comprehensive income	-	5,461	5,461
Trade, contract and other receivables excluding prepayments and advances	614,492	-	614,492
Due from related parties	414,154	-	414,154
Cash and bank balances	462,566	-	462,566
	1,491,212	5,461	1,496,673

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine month period ended 30 September 2022 (continued)

18. Financial instruments by category (continued)

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

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2021 (audited)			
<i>Liabilities as per condensed consolidated interim statement of financial position</i>			
Trade and other payables	424,053	-	424,053
Retentions payable	46,656	-	46,656
Borrowings	795,185	-	795,185
	1,265,894	-	1,265,894

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
<i>As at 30 September 2022 (unaudited)</i>		
Equity instrument at fair value through other comprehensive income	5,087	5,087
<i>As at 31 December 2021 (audited)</i>		
Equity instrument at fair value through other comprehensive income	5,461	5,461

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

	Nine month period ended		Three month period ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	(Unaudited)		(Unaudited)	
Profit for the period (AED'000)	103,254	30,800	36,346	8,199
Weighted average number of ordinary shares ('000) [Note 11]	4,375,838	5,778,000	4,375,838	5,778,000
Earnings per ordinary share				
- Basic and Diluted (Fils)	2.36	0.53	0.83	0.14

20. Impact of COVID-19

The outbreak of novel coronavirus (COVID-19) pandemic in early 2020 has either directly or indirectly affected all businesses. Measures to prevent and contain transmission of the virus have impacted businesses throughout the world and lower economic activity resulted in reduced demand for many goods and services. Till date, the impact of COVID-19 on the Group's operational performance has not been significant, and management expects this to remain the same. The management continues to take required actions in order to optimise the Group's operating cash flows and preserve liquidity and have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future.

Due to different variants of COVID-19, there is still uncertainty over the duration and severity of the outbreak on businesses and accordingly, it is not possible to reliably estimate the impact on the financial position and results of the Group for future periods. Given the unpredictable outcome of this pandemic, the Group will continue to monitor and assess the situation and keep adjusting its critical judgements and estimates including the inputs used for expected credit loss, macroeconomic factors, valuation of property and equipment, properties held for development and sale, and investment properties, as necessary, during the course of 2022.

21. Reclassifications

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