

Deyaar Development PJSC

Review report and interim financial statements

**For the nine months period ended
30 September 2023**

Deyaar Development PJSC

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DEYAAR DEVELOPMENT PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Deyaar Development PJSC (the “Company”) and its subsidiaries (together referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as at 30 September 2023, and the interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and nine months then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2023, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 13 February 2023. Furthermore, the interim condensed consolidated financial statements of the Group, for the three-month and the nine-month period ended 30 September 2022 were reviewed by another auditor who expressed an unmodified review conclusion on those statements on 19 October 2022.

Conclusion

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

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

14 November 2023

Dubai, United Arab Emirates

Deyaar Development PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	495,420	521,463
Investment properties	7	805,035	762,776
Investments in a joint venture and an associate		1,352,351	1,356,671
Trade, contract and other receivables	8	356,756	276,294
Equity investment at fair value through other comprehensive income		3,999	4,894
		3,013,561	2,922,098
Current assets			
Properties held for development and sale	9	1,136,637	1,463,259
Inventories		3,678	3,042
Trade, contract and other receivables	8	744,094	625,286
Due from related parties	10	214,306	212,897
Cash and bank balances	11	1,171,574	939,907
		3,270,289	3,244,391
Total assets		6,283,850	6,166,489
EQUITY			
Share capital	12	4,375,838	4,375,838
Legal reserve		14,424	14,424
Equity investment fair valuation reserve		(15,336)	(14,441)
Retained earnings		363,611	126,664
Total equity		4,738,537	4,502,485
LIABILITIES			
Non-current liabilities			
Borrowings	13	579,761	838,261
Trade and other payables	15	5,546	-
Retentions payable		12,348	13,409
Provision for employees' end of service benefits		15,207	16,070
		612,862	867,740
Current liabilities			
Borrowings	13	106,532	99,247
Advances from customers	14	321,758	198,170
Trade and other payables	15	485,652	454,058
Retentions payable		18,154	44,408
Due to related parties	10	355	381
		932,451	796,264
Total liabilities		1,545,313	1,664,004
Total equity and liabilities		6,283,850	6,166,489

The interim condensed consolidated financial statements was approved behalf of Board of Directors on 14 November 2023 by:

.....
Saeed Al Qatami
Chief Executive Officer

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

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial statements.

Deyaar Development PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months period ended 30 September 2023

	<i>Notes</i>	Nine months ended		Three months ended	
		30 September 2023 AED'000	30 September 2022 AED'000	30 September 2023 AED'000	30 September 2022 AED'000
		(Unaudited)		(Unaudited)	
Revenue		939,803	577,150	310,871	207,723
Direct costs		(638,908)	(381,911)	(203,369)	(140,500)
General, administrative and selling expenses		(165,173)	(129,216)	(57,980)	(39,408)
Other operating income		34,526	26,980	6,368	7,526
Finance cost		(44,180)	(24,352)	(13,853)	(9,716)
Provision / expense against claims		(274)	(1,150)	(165)	(1,020)
Finance income		13,907	1,206	4,397	541
Gain on valuation of investment properties	7	50,918	-	50,918	-
Share of results from a joint venture and an associate		46,878	34,547	21,839	11,200
Profit for the period		237,497	103,254	119,026	36,346
Earnings per share – basic and diluted	20	Fils 5.43	Fils 2.36	Fils 2.72	Fils 0.83

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial statements.

Deyaar Development PJSC

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

For the nine months period ended 30 September 2023

	Nine months ended		Three months ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Profit for the period	237,497	103,254	119,026	36,346
Other comprehensive loss				
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Equity investment at fair value through other comprehensive loss – net change in fair value	(895)	(374)	(243)	598
Total comprehensive income for the period	236,602	102,880	118,783	36,944

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial statements.

Deyaar Development PJSC

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2023

	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 2022 (audited)	5,778,000	303,438	(13,874)	(1,705,600)	4,361,964
Approved reduction (Refer Note 12)	(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
Balance at 1 January 2023, as previously reported (audited)	4,375,838	14,424	(14,441)	126,664	4,502,485
<i>Total comprehensive (loss)/income for the period (unaudited)</i>					
Profit for the period	-	-	-	237,497	237,497
Other comprehensive loss for the period	-	-	(895)	-	(895)
Total comprehensive (loss)/income for the period (unaudited)	-	-	(895)	237,497	236,602
Adjustments to Board of Directors' remuneration [Refer Note 10 (b)]	-	-	-	(550)	(550)
Balance at 30 September 2023 (unaudited)	4,375,838	14,424	(15,336)	363,611	4,738,537

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial statements.

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2023

	Notes	Nine months period ended	
		30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Profit for the period		237,497	103,254
Adjustments for:			
Depreciation on property and equipment		13,336	12,449
Provision for employees' end of service benefits		2,277	2,688
Reversal of provision against properties held for development and sale		(4,046)	(6,096)
Impairment against trade receivables, contract and other financial assets		1,415	390
Provision for claims		274	1,150
Finance income		(13,907)	(1,206)
Finance costs		44,180	24,352
Gain on valuation of investment properties		(50,918)	-
Share of results from a joint venture and an associate		(45,680)	(34,547)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		184,428	102,434
Payment of employees' end of service benefits		(3,141)	(1,822)
Changes in working capital:			
Property held for development and sale (net of project cost accruals)		330,668	16,446
Trade and other receivables - non-current		(80,462)	(142,989)
Trade and other receivables – current		(116,591)	(17,830)
Due from related parties		(1,419)	1,798
Inventories		(636)	(403)
Retentions payable - non-current		(1,061)	6,211
Retentions payable – current		(26,254)	3,062
Advances from customers		123,588	45,500
Trade and other payables - non-current		5,546	-
Trade and other payables – current		57,221	26,894
Due to related parties		(26)	(41)
Net cash generated from operating activities		471,861	39,260
Cash flows from investing activities			
Additions to property and equipment		(2,390)	(4,246)
Addition to investment properties		(597)	(1,277)
Dividend from associate		-	2,000
Dividend from joint venture		50,000	25,000
Net movement in term deposits with an original maturity greater than three months		(25,000)	30,550
Income from term deposits		10,423	923
Net cash generated from investing activities		32,436	52,950
Cash flows from financing activities			
Repayments of borrowings	12	(355,415)	(236,205)
Drawdown of borrowings	12	104,200	392,094
Finance costs paid		(46,277)	(19,546)
Net cash (used in)/generated from financing activities		(297,492)	136,343
Net increase in cash and cash equivalents		206,805	228,553
Cash and cash equivalents, beginning of the period		694,991	398,029
Charge of impairment on bank balances		(76)	(68)
Cash and cash equivalents, end of the period	11	901,720	626,514

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial statements.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

1. Legal status and activities

Deyaar Development PJSC (the “Company”) was incorporated on 10 July 2007 and is registered as a Public Joint Stock Company listed on the Dubai Financial Market under UAE Federal Decree-Law No. (32) of 2021 in the Emirate of Dubai, United Arab Emirates (“UAE”). The registered address of the Company is P. O. Box 30833, Dubai, UAE.

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

Federal Decree Law No 47 of 2022 was issued on 9 December 2022 relating to taxation of Corporations and Businesses in the United Arab Emirates and is effective for tax periods commencing on or after 1 June 2023. Management is in the process of reviewing the Decree Law and will ensure compliance with the requirements of the law from the effective period applicable to the Company. Refer to Note 20.

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.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

These interim condensed consolidated financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with IAS 34: Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. In addition, the results for the nine-month period ended 30 September 2023 are not indicative of the results that may be expected for the financial year ending 31 December 2023.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

2. Basis of preparation and accounting policies (continued)

2.1 Basis of preparation (continued)

The interim condensed consolidated financial statements include the assets, liabilities and results from the operations of the Group's subsidiaries:

<i>Name of entities subsidiaries</i>	<i>Country of incorporation</i>	<i>Effective ownership</i>	<i>Principle activities</i>
Deyaar Facilities Management LLC	UAE	100%	Facility Management services
Nationwide Realtors LLC *	UAE	100%	Brokerage and other related services
Deyaar Hospitality LLC	UAE	100%	Property Investment and Development
Deyaar International LLC *	UAE	100%	Real Estate Company
Deyaar Ventures LLC *	UAE	100%	Property Investment and Development
Flamingo Creek LLC *	UAE	100%	Property Investment and Development
Beirut Bay Sal **	UAE	100%	Property Investment and Development
Deyaar West Asia Cooperatief U.A. *	Netherlands	100%	Investment Holding Company
Deyaar Development Cooperation **	USA	100%	Property Investment and Development
Deyaar AL Tawassol Lil Tatweer Aleqare Co.*	KSA	100%	Property Investment and Development
Deyaar Community Management LLC	UAE	100%	Owners Association Management
Deyaar Property Management LLC	UAE	100%	Property Management
Montrose L.L.C *	UAE	100%	Buying, Selling and Real Estate Development
The Atria L.L.C	UAE	100%	Hotel Management
Deyaar One Person Holding LLC*	UAE	100%	Investment in Commercial/Industrial Enterprise & Management
Bella Rose Real Estate Development L.L.C	UAE	100%	Buying, Selling and Real Estate Development
Nationwide Management Services LLC	UAE	100%	District cooling services
Al Barsha LLC	UAE	100%	Hotel & Hotel Apartments Rental
Mont Rose FZ-LLC (also holds registration as Millenium Montrose Hotel apartments LLC issued by Dubai economic Department)	UAE	100%	Hotels & Leisure services
Deyaar Bay Real Estate Development	UAE	100%	Buying, Selling and Real Estate Development
Joint Venture			
Arady Developments LLC	UAE	50%	Property Investment and Development
Associate			
SI Al Zorah Equity Investments Inc.	Cayman Islands	22.72%	Property Investment and Development

* These entities did not carry out any commercial activities during the period.

** These entities are under liquidation and did not carry out any commercial activities during the period.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

2. Basis of preparation and accounting policies (continued)

2.1 Basis of preparation (continued)

Fair Value Measurement

All financial assets and liabilities are stated at amortised cost or historical cost except for FVOCI investments and investment properties which are measured at fair value. The fair values of other financial assets and liabilities are not materially different from their carrying values at the reporting date.

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

(a) New and revised IFRSs and interpretations that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these interim condensed consolidated financial statements.

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

- Amendments to IAS 8 Accounting policies, Changes in accounting estimates and errors;
- Amendments to IAS 1 Presentation of Financial Statements relating to classification of Liabilities as Current or Non-Current
- Amendment to IFRS 17 Insurance contracts; and
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

(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, as at 30 September 2023 are disclosed below:

<u><i>New and revised IFRSs</i></u>	<u><i>Effective for annual periods beginning on or after</i></u>
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024
Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1	1 January 2024
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

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

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

3. Estimates and assumptions

The preparation of the interim condensed consolidated financial statements require 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 condensed consolidated financial statements, 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 2022.

4. Financial risk management

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

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

The interim condensed consolidated financial statements 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 2022. 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 2022.

5. Segment information

Operating segment

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

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

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<i>Nine months period ended 30 September 2023</i>				
<i>(unaudited)</i>				
Segment revenues – external	760,922	106,798	72,083	939,803
Segment profit	203,653	13,346	20,498	237,497
<i>As at 30 September 2023 (unaudited)</i>				
Segment assets	5,108,216	410,237	765,397	6,283,850
Segment liabilities	1,269,296	258,835	17,182	1,545,313

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

5. Segment information (continued)

Operating segment (continued)

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<i>Nine months 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 31 December 2022 (audited)</i>				
Segment assets	5,069,330	289,975	807,184	6,166,489
Segment liabilities	1,472,925	170,485	20,594	1,664,004

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 2023 is AED 0.5 million (31 December 2022- audited: 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 2023.

Land and buildings with a carrying value of AED 418 million (31 December 2022- audited: AED 256.3 million) are mortgaged under Islamic finance obligations (Note 13).

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 13.3 million (30 September 2022- unaudited: AED 12.4 million).

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

7. Investment properties

	UAE Mix use building AED'000	UAE Parking spaces AED'000	UAE Stores Units AED'000	UAE Retail units AED'000	UAE Service Apartments AED'000	30 September 2023 Total AED'000	31 December 2022 Total AED'000
	(Unaudited)					(Audited)	
Fair value hierarchy	3	3	3	3	3		
Fair value at the beginning of the reporting period/year	156,948	74,201	14,045	226,135	291,447	762,776	758,231
Additions/Adjustments	219	-	(34)	(12)	(8,832)	(8,659)	1,356
Transfer from properties held for development and sale	-	-	-	-	-	-	3,189
Change in valuation	27,018	(3)	(113)	24,016	-	50,918	-
Fair value at the end of reporting period/year	184,185	74,198	13,898	250,139	282,615	805,035	762,776

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 year ended 31 December 2022, the Group had reclassified service apartment 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 the carrying amount of the units transferred is equivalent to the fair value on the date of transfer (Note 9).

Investment properties with a carrying value of AED 462 million (31 December 2022- audited: AED 426 million) are mortgaged against bank borrowings (Note 13).

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 2023.

8. Trade, contract and other receivables

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Trade and unbilled receivables	847,334	713,900
Other receivables	253,516	187,680
	1,100,850	901,580
Current	744,094	625,286
Non-current	356,756	276,294
Total	1,100,850	901,580
Trade receivables		
Amounts receivable within 12 months	212,009	121,733
Contract assets		
Unbilled receivables within 12 months	278,569	315,873
Unbilled receivables after 12 months	356,756	276,294
	847,334	713,900

The above trade and other receivables are net of provision for impairment amounting to AED 127.3 million (31 December 2022- audited: AED 121.6 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 STATEMENTS

For the nine months period ended 30 September 2023 (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 year ended 31 December 2022, the Group had 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 702.8 million (31 December 2022- audited: AED 843 million) and completed properties with total carrying value of AED 65.6 million (31 December 2022- audited: AED 65.6 million) are mortgaged under Islamic finance obligations (Note 13).

In the current period, the Group has recognised an amount of AED 530.8 million (for the year ended 31 December 2022- audited: AED 406 million and for the nine months period ended 30 September 2022- unaudited: AED 296.1 million) included in the profit or loss under “direct costs” against revenue recognised of AED 723 million (for the year ended 31 December 2022- audited: AED 537.8 million and for the nine months period ended 30 September 2022- unaudited: AED 388.4 million).

For plots of land held for future development and use amounting to AED 477.3 million as at the reporting date (31 December 2022- audited: AED 693.6 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 months period ended		Three months period ended	
	30 September	30 September	30 September	30 September
	2023	2022	2023	2022
	AED’000	AED’000	AED’000	AED’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Ultimate majority shareholder				
Other operating income/finance income	10,640	958	2,548	652
Finance cost	(30,879)	(18,319)	(9,627)	(6,921)
Borrowings drawdown	-	205,693	-	41,600
Borrowings repayment	(302,450)	(201,129)	(15,000)	(21,410)
Joint venture				
Other operating income	2,396	673	1,377	481
Dividend income	-	25,000	-	-
Associate				
Dividend income	-	2,000	-	-

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

10. Related party transactions and balances (continued)

(b) Remuneration of key management personnel

	Nine months period ended		Three months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)		(Unaudited)	
Salaries and other short-term employees' benefits	11,456	10,327	3,577	3,689
Termination and post-employment benefits	294	369	91	102
Board of Directors sitting fees	281	125	63	62
	12,031	10,821	3,731	3,853

During the current period, an additional provision for the Board of Directors' remuneration amounting to AED 0.55 million was recognised (during the nine months period ended 30 September 2022: AED 0.15 million) based on the final approval of the shareholders in the Annual General Meeting dated 22 Mar 2023.

(c) Due from related parties comprises:

	30 September 2023	31 December 2022
	AED'000	AED'000
	(Unaudited)	(Audited)
Current		
Due from a joint venture	2,503	1,084
Due from other related parties	245,426	245,426
	247,929	246,510
Less: provision for impairment	(33,623)	(33,613)
	214,306	212,897

Management believes that based on the court judgement and the Conditional Settlement Agreement signed with a related party during 2022 (refer Note 17 for further details), the net receivable balance from a related party amounting to AED 212 million is recoverable. Accordingly, no further adjustment has been made to the carrying value of the receivable amount as at the reporting date.

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 250.2 million (31 December 2022- audited: AED 166.6 million) and fixed deposits of AED 354.9 million (31 December 2022- audited: AED 354 million), at market prevailing profit rates.

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

10. Related party transactions and balances (continued)

(d) Due to related parties comprises:

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Current		
Due to ultimate majority shareholder	255	271
Due to other related party	100	110
	355	381

At 30 September 2023, the Group had bank borrowings from the ultimate majority shareholder of AED 496.4 million (31 December 2022- audited: AED 798.8 million), at market prevailing profit rates (Note 13).

11. Cash and bank balances

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Cash in hand	520	554
Current accounts	731,683	470,843
Fixed deposits	440,022	469,021
	1,172,225	940,418
Less: provision for impairment	(651)	(511)
Cash and bank balances, net	1,171,574	939,907
Less: term deposits with an original maturity greater than three months	(269,854)	(244,916)
Cash and cash equivalents	901,720	694,991

Bank accounts include a balance of AED 599.8 million (31 December 2022- audited: AED 291.5 million) and fixed deposits of AED 115 million (31 December 2022- audited: AED 52 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 94 million (31 December 2022- audited: AED 99.7 million), held in a fiduciary capacity in escrow accounts on behalf and for the beneficial interest of third parties, which are recorded in these interim condensed consolidated financial statements.

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For the nine months period ended 30 September 2023 (continued)

12. Share capital

At 30 September 2023, share capital comprised of 4,375,837,645 shares (31 December 2022- audited: 4,375,837,645 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 1,706 million and using legal reserves amounting to AED 303 million against the issued share capital amounting to AED 5,778 million as at 1 January 2022. Accordingly, during 2022 management had 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	Opening balance after reduction 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)	-

13. Borrowings

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Islamic finance obligations		
Current	106,532	99,247
Non-current	579,761	838,261
Total borrowings	686,293	937,508

	AED'000
1 January 2022 (Audited)	795,185
Drawdown	416,194
Repayments	(273,871)
31 December 2022 (Audited)	937,508
1 January 2023	937,508
Drawdown	104,200
Repayments	(355,415)
30 September 2023 (Unaudited)	686,293

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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

13. Borrowings (continued)

During 2022, the Group had obtained 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. The new facility carries market prevailing profit rates and is repayable in quarterly instalments over four years from the reporting date.

During the current period, the Group has obtained new Islamic facilities from various banks amounting to AED 555 million. The new facilities carry market prevailing profit rates and are repayable in quarterly instalments over a period of five years to twelve years from the reporting date. These facilities have AED 504.4 million available for drawdown to the Group.

Islamic finance obligations with the ultimate majority shareholder carry market prevailing profit rates and are repayable in quarterly instalments over a period of five years to twelve years from the reporting date (*31 December 2022- audited: five years to nine 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.

14. Advances from customers

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

15. 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 by case basis.

16. Commitments

At 30 September 2023, the Group had total commitments of AED 537.9 million (*31 December 2022- audited: AED 349 million*) with respect to project related contracts issued net of invoices received and accruals made at that date.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

17. Contingencies

Contingent liabilities

At 30 September 2023, the Group has contingent liabilities in respect of performance bond and guarantees issued by banks, in the ordinary course of business, amounting to AED 328.8 million (*31 December 2022-audited: AED 246 million*), which mainly includes performance guarantees of AED 317.5 million (*31 December 2022-audited: AED 235.5 million*) issued to Real Estate Regulatory Authority (RERA) for the projects under development. Also, the Group has contingent liabilities, on behalf of a subsidiary (under liquidation), in respect to guarantees issued by a bank amounting to AED 3.4 million (*31 December 2022-audited: AED 3.4 million*). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

Legal claims

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 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 “*Provision and Contingent Liabilities and Contingent Assets*” as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters.

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

Further, certain properties were under dispute with UAE based developer (“a related party”) against which in 2019, the Group had 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 2020, the execution of the court judgement has been handed over to a special committee by virtue of resolution number 12 of 2020 passed by the Government of Dubai. However, on 15 February 2021, the special committee has decided that it has no jurisdiction over the case and has transfer the case to the court of execution. Accordingly, management had submitted an application to the court of execution to proceed with the execution process.

In 2022, the Group has signed a Conditional Settlement Agreement (“the Agreement”) with the related party for an amount of AED 500 million based on the shareholders’ approval in the Annual General Meeting held on 21 November 2022. The Group received AED 200 million during the year 2022 upon execution of the Agreement and the remaining amount of AED 300 million is to be received within 18 months from date of the signed Agreement (refer Note 10 for further details). Accordingly, the Group submitted an application to the court for the temporary suspension of the auction process on the remaining properties of the related party identified in the Agreement. During the current period, the Group accepted the request of the related party to proceed with the cancellation of the registration pertaining to the plots under dispute, and to re-register the plots under the name of the related party as per the Agreement.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (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 2023 (unaudited)			
<i>Assets as per interim condensed consolidated statement of financial position</i>			
Equity instrument at fair value other comprehensive income	-	3,999	3,999
Trade, contract and other receivables excluding prepayments and advances	896,346	-	896,346
Due from related parties	214,306	-	214,306
Bank balances	1,171,054	-	1,171,054
	2,281,706	3,999	2,285,705

	Amortised cost AED'000		Total AED'000
30 September 2023 (unaudited)			
<i>Liabilities as per interim condensed consolidated statement of financial position</i>			
Trade and other payables	491,198	-	491,198
Retentions payable	30,502	-	30,502
Borrowings	686,293	-	686,293
	1,207,993	-	1,207,993

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 December 2022 (audited)			
<i>Assets as per interim condensed consolidated statement of financial position</i>			
Equity instrument at fair value other comprehensive income	-	4,894	4,894
Trade, contract and other receivables excluding prepayments and advances	759,596	-	759,596
Due from related parties	212,897	-	212,897
Bank balances	939,353	-	939,353
	1,911,846	4,894	1,916,740

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (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 2022 (audited)			
<i>Liabilities as per interim condensed consolidated statement of financial position</i>			
Trade and other payables	454,058	-	454,058
Retentions payable	57,817	-	57,817
Borrowings	937,508	-	937,508
	1,449,383	-	1,449,383

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 2023 (unaudited)</i>		
Equity instrument at fair value through other comprehensive income	3,999	3,999
<i>As at 31 December 2022 (audited)</i>		
Equity instrument at fair value through other comprehensive income	4,894	4,894

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 months period ended		Three months period ended	
	30 September 2023 AED'000	30 September 2022 AED'000	30 September 2023 AED'000	30 September 2022 AED'000
	(Unaudited)		(Unaudited)	
Profit for the period (AED'000)	237,497	103,254	119,026	36,346
Weighted average number of ordinary shares ('000) [Note 12]	4,375,838	4,375,838	4,375,838	4,375,838
Earnings per ordinary share				
- Basic and Diluted (Fils)	5.43	2.36	2.72	0.83

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023 (continued)

20. Corporate Income Tax

On 9 December 2022, UAE Ministry of Finance (“MoF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023. The Group’s accounting year ends on 31 December, accordingly the effective implementation period for the Group will correspond to the year ending on 31 December 2024 and the first return will be filed on or before 30 September 2025.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities. The Group will be subject to taxation commencing 1 January 2024.

Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the nine months period ended 30 September 2023. As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published

21. Reclassifications

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