DEYAAR DEVELOPMENT PJSC

REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

Deyaar Development PJSC

INTERIM FINANCIAL INFORMATION
For the nine month period ended 30 September 2020

Content | **Pages**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Deyaar Development PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Deyaar Development PJSC** (the "Company") **and its Subsidiaries** (together the "Group") as at 30 September 2020 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, for the three-month and nine-month period ended 30 September 2020, and the condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting"* (IAS 34) as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Mohammad Jallad
Registration No. 1164
12 November 2020
Dubai
United Arab Emirates

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Notes	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	**604,192**	968,431
Investment properties	7	**853,309**	514,210
Investments in a joint venture and an associate		**1,340,699**	1,350,633
Trade, contract and other receivables	8(a)	**52,675**	70,941
Long term fixed deposits		**41,117**	40,863
Equity investment at fair value through other comprehensive income		**4,096**	10,865
		2,896,088	2,955,943
Current assets			
Properties held for development and sale	9	**1,329,791**	1,281,058
Inventories		**2,350**	2,225
Trade, contract and other receivables	8(a)	**654,015**	774,235
Due from related parties	10	**566,475**	812,007
Cash and bank balances		**319,719**	415,935
		2,872,350	3,285,460
Total assets		**5,768,438**	6,241,403
EQUITY			
Share capital	11	**5,778,000**	5,778,000
Legal reserve		**298,358**	298,358
Equity investments fair valuation reserve		**(15,239)**	(8,470)
Accumulated losses		**(1,518,492)**	(1,530,137)
Total equity		**4,542,627**	4,537,751
LIABILITIES			
Non-current liabilities			
Borrowings	12	**592,632**	691,761
Retentions payable		**6,822**	18,609
Provision for employees' end of service benefits		**15,541**	14,909
		614,995	725,279
Current liabilities			
Borrowings	12	**195,533**	289,544
Advances from customers		**12,910**	25,017
Trade and other payables	13	**326,277**	583,597
Retentions payable		**69,841**	76,203
Provision for claims		**4,453**	2,212
Due to related parties		**1,802**	1,800
		610,816	978,373
Total liabilities		**1,225,811**	1,703,652
Total equity and liabilities		**5,768,438**	6,241,403

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

The interim financial information was approved on 12 November 2020 by:

Saeed Al Qatami
Chief Executive Officer

Hani K. Fansa
Chief Financial Officer

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine month period ended 30 September 2020

		Nine month ended		Three month ended	
	Notes	**30 September 2020 AED'000**	30 September 2019 AED'000	**30 September 2020 AED'000**	30 September 2019 AED'000
		(Unaudited)		(Unaudited)	
Revenue		**288,119**	483,329	**113,571**	145,716
Direct/operating costs		**(160,837)**	(329,573)	**(75,089)**	(85,627)
Other operating income		**29,721**	12,873	**2,527**	562
General and administrative expenses		**(127,092)**	(119,934)	**(40,294)**	(43,659)
Provision/expense against claims		**(3,611)**	(341)	**(2,387)**	380
Impairment/(reversal) against trade receivables, contract and other financial assets		**1,987**	(2,865)	**4,036**	(1,293)
(Loss)/gain from fair value on investment properties, net		**(9,652)**	10,845	**-**	-
Finance cost		**(28,358)**	(21,204)	**(8,278)**	(4,562)
Finance income		**2,570**	5,805	**830**	527
Share of results from a joint venture and an associate; net		**20,210**	11,631	**9,624**	3,168
Write back of provision for impairment against advances for purchase of properties	*9*	**-**	2,481	**-**	1,109
Profit for the period		**13,057**	53,047	**4,540**	16,321
Earnings per share - basic and diluted	*18*	**Fils 0.23**	Fils 0.92	**Fils 0.08**	Fils 0.28

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine month period ended 30 September 2020

	Nine month ended		Three month ended	
	30 September 2020 AED'000	30 September 2019 AED'000	**30 September 2020 AED'000**	30 September 2019 AED'000
	(Unaudited)		(Unaudited)	
Profit for the period	**13,057**	53,047	**4,540**	16,321
Other comprehensive loss				
Items that will not be subsequently reclassified to profit or loss				
Equity investment at fair value through other comprehensive loss - net change in fair value	**(6,769)**	(4,835)	**474**	(663)
Total comprehensive income for the period	**6,288**	48,212	**5,014**	15,658

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2020

	Share capital AED'000	Legal reserve AED'000	Equity investments fair valuation reserve AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2019, as previously reported (audited)	5,778,000	291,204	(1,700)	(1,592,601)	4,474,903
Total comprehensive income for the period (unaudited)					
Profit for the period	-	-	-	53,047	53,047
Other comprehensive loss for the period	-	-	(4,835)	-	(4,835)
Total comprehensive (loss)/income for the period (unaudited)	-	-	(4,835)	53,047	48,212
Adjustments to Board of Directors' remuneration	-	-	-	(631)	(631)
Balance at 30 September 2019 (unaudited)	**5,778,000**	**291,204**	**(6,535)**	**(1,540,185)**	**4,522,484**
Balance at 1 January 2020, as previously reported (audited)	5,778,000	298,358	(8,470)	(1,530,137)	4,537,751
Total comprehensive income for the period (unaudited)					
Profit for the period	-	-	-	13,057	13,057
Other comprehensive loss for the period	-	-	(6,769)	-	(6,769)
Total comprehensive (loss)/income for the period (unaudited)	-	-	(6,769)	13,057	6,288
Adjustments to Board of Directors' remuneration [Refer note 10(b)]	-	-	-	(1,412)	(1,412)
Balance at 30 September 2020 (unaudited)	**5,778,000**	**298,358**	**(15,239)**	**(1,518,492)**	**4,542,627**

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2020

	Notes	Nine month period ended 30 September 2020 AED'000	30 September 2019 AED'000
		(Unaudited)	
Cash flows from operating activities			
Net cash generated from/(used in) operating activities	*14*	**105,557**	(106,575)
Cash flows from investing activities			
Additions to property and equipment		**(13,972)**	(63,858)
Addition to investment properties		**(247)**	-
Adjustment to investment properties		**348**	-
Repayment from joint venture		**30,144**	-
Net movement in term deposits with an original maturity greater than three months		**310**	(16,574)
Income from term deposits		**3,315**	5,550
Net cash generated from/(used in) investing activities		**19,898**	(74,882)
Cash flows from financing activities			
Repayments of borrowings	*12*	**(245,285)**	(211,905)
Drawdown of borrowings	*12*	**52,145**	203,765
Finance costs paid		**(28,546)**	(21,572)
Net cash used in financing activities		**(221,686)**	(29,712)
Net decrease in cash and cash equivalents		**(96,231)**	(211,169)
Cash and cash equivalents, beginning of the period		**364,019**	543,856
Impairment (reversal)/expense on bank balances		**(13)**	49
Cash and cash equivalents, end of the period		**267,775**	332,736

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

Cash in hand	**379**	311
Current accounts	**166,923**	178,005
Fixed deposits	**197,929**	290,058
	365,231	468,374
Less: provision for impairment	**(4,395)**	(4,994)
Cash and bank balances, net	**360,836**	463,380
Less: term deposits with an original maturity greater than three months	**(93,061)**	(130,644)
Cash and cash equivalents	**267,775**	332,736

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

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.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim financial information for the nine month period ended 30 September 2020 has been prepared in accordance with IAS 34 '*Interim Financial Reporting*'. The interim financial information should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of UAE Federal Law No. (2) of 2015.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in the interim financial information.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020.

Their adoption has not had any material impact on the disclosures or on the amounts reported in the interim financial information.

2. Basis of preparation and accounting policies (continued)

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

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

New and revised IFRS	Summary
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments Disclosures* relating to interest rate benchmark reform	The changes (a) modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform; (b) are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform; (c) are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and (d) require specific disclosures about the extent to which the entities hedging relationships are affected by the amendments.
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: (a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; (d) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and (e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2. Basis of preparation and accounting policies (continued)

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

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

New and revised IFRS	Summary
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 *Share-based payment*, IFRS 3 *Business Combinations*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRS 14 *Regulatory Deferral Accounts*, IAS 1 *Presentation of Financial Statements*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 34 *Interim Financial Reporting*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets*, IFRIC 12 *Service Concession Arrangements*, IFRIC 19 *Extinguishing of Financial Liabilities with Equity Instruments*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, and SIC-32 *Intangible Assets - Web Site Costs* to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	The Group has adopted the amendments to IFRS 2, IFRS 6, IFRS 15, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 21 in the current year.
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material	Three new aspects of the new definition should especially be noted: (a) Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A). (b) Could reasonably be expected to influence. The existing definition referred to could influence which the Board felt might be understood as requiring too much information as almost anything could influence the decisions of some users even if the possibility is remote. (c) Primary users. The existing definition referred only to users which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

2. Basis of preparation and accounting policies (continued)

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

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

Other than the above, there are no further significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to classification of Liabilities as Current or Non-Current	1 January 2022
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

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

3. Estimates and assumptions

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

In preparing the interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for any changes arising from Impact of COVID-19 (Note 19).

4. Financial risk management

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

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

The interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statement, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. 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 2019.

5. Segment information

Operating segment

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

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

	Property development activities AED'000	**Properties and facilities management AED'000**	**Hospitality AED'000**	**Total AED'000**
Nine month period ended 30 September 2020 (unaudited)				
Segment revenues - external	**183,010**	**69,789**	**35,320**	**288,119**
Segment profit/(loss)	**6,101**	**15,674**	**(8,718)**	**13,057**
As at 30 September 2020 (unaudited)				
Segment assets	**4,509,050**	**338,682**	**920,706**	**5,768,438**
Segment liabilities	**993,815**	**211,359**	**20,637**	**1,225,811**

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
Nine month period ended 30 September 2019 (unaudited)				
Segment revenues - external	403,808	70,841	8,680	483,329
Segment profit/(loss)	57,638	9,045	(13,636)	53,047
As at 31 December 2019 (audited)				
Segment assets	4,998,561	300,522	942,320	6,241,403
Segment liabilities	1,514,953	162,028	26,669	1,703,650

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

Geographic information

The carrying amount of total assets located outside the United Arab Emirates as at 30 September 2020 is AED 3.3 million (31 December 2019: AED 3.3 million).

6. Property and equipment

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

During the period, the Group has reclassified certain units in its existing service apartment buildings amounting to AED 350.50 million to investment properties based on change in use of those units (Note 7). The Group has a policy of depreciating assets on a straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value. The Group depreciates buildings from 20 to 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 19 million.

7. Investment properties

	Mix use building AED'000	**Parking spaces AED'000**	**Stores units AED'000**	**Retail units AED'000**	**Service Apartments AED'000**	**30 September 2020 Total AED'000**	31 December 2019 Total AED'000
				(Unaudited)			(Audited)
Fair value hierarchy	**3**	**3**	**3**	**3**	**3**		
Fair value at the beginning of the reporting period/year	**209,287**	**70,085**	**14,045**	**220,793**	**-**	**514,210**	350,592
Additions	**-**	**246**	**-**	**-**	**-**	**246**	121
Adjustment	**-**	**-**	**-**	**(348)**	**-**	**(348)**	-
Transfer from properties held for sale (Note 9)	**-**	**-**	**-**	**-**	**-**	**-**	15,613
Transfer (to)/from property and equipment (Note 6)	**-**	**-**	**-**	**(1,633)**	**350,486**	**348,853**	1,343
Transfer from advance for purchase of properties [Note 8(b)]	**-**	**-**	**-**	**-**	**-**	**-**	126,823
Net (loss)/gain from fair value adjustments on investment properties	**(10,000)**	**-**	**-**	**348**	**-**	**(9,652)**	19,718
Fair value at the end of reporting period/year	**199,287**	**70,331**	**14,045**	**219,160**	**350,486**	**853,309**	514,210

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

During the period, the Group has reclassified certain units in its existing service apartment buildings amounting to AED 350.5 million from property and equipment based on change in use of those 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 6).

7. Investment properties (continued)

Investment properties with carrying value of AED 244.2 million *(31 December 2019: AED 244.2 million)* are mortgaged against bank borrowings (Note 12).

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 2019 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 the Group's investment properties at the end of current period.

8(a) Trade, contract and other receivables

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Trade and unbilled receivables	**585,040**	742,385
Other receivables	**121,650**	102,791
	706,690	845,176
Trade receivables		
Amounts receivable within 12 months	**366,137**	378,138
Contract assets		
Unbilled receivables within 12 months	**166,228**	293,306
Unbilled receivables after 12 months	**52,675**	70,941
	585,040	742,385

The above trade and other receivables are net of provision for impairment amounting to AED 119.5 million (31 December 2019: AED 122.1 million) relating to trade and other receivables which are past due. All the other receivables are considered recoverable.

8(b) Advance for purchase of properties

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Advance for purchase of share in real estate project	**-**	391,749
Less: provision for impairment	**-**	(262,278)
	-	129,471
Less: Transferred to trade & other receivables	**-**	(2,648)
Less: Transferred to investment properties (Note 6)	**-**	(126,823)
	-	-

In previous years, the Company had entered into a Memorandum of Understanding (MoU) for purchase of its share in a portfolio of investment properties in a real estate project. The advance was recoverable by means of transfer of the Company's share of properties in the project. In 2018, the Company had signed an agreement where the parties including the Company will jointly allocate the project's assets in proportion to the share of each party in the project. The allocation of the Company's share of properties was completed in 2019 and accordingly these units were reclassified to investment properties at their fair value on the date of transfer (Note 6).

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.

Plots of land with total carrying value of AED 636 million *(2019: AED 636 million)* and properties with total carrying value of AED 153.6 million *(31 December 2019: AED 157.7 million)* are mortgaged under Islamic finance obligations (Note 12).

In the current period, the Group has recognised an amount of AED 108.9 million *(for the year ended 31 December 2019: AED 335.3 million and for the nine month period ended 30 September 2019: AED 293.5 million)* included in the profit or loss under "direct/operating costs" against revenue recognised of AED 150.1 million (for the year ended 31 December 2019: AED 455.8 million and for the nine month period ended 30 September 2019: AED 377 million).

In the current period, the Group has transferred a plot of land amounting to AED 130.3 million to properties under construction.

For plots of land held for future development and use amounting to AED 699.9 million as at the reporting date *(31 December 2019: AED 828.4 million)*, management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

10. Related party transactions and balances

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

(a) Related party transactions

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

	Three month period ended		**Nine month period ended**	
	30 September 2020	30 September 2019	**30 September 2020**	30 September 2019
	AED'000	AED'000	**AED'000**	AED'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
A significant shareholder				
Other operating income/finance income	**953**	1,145	**2,399**	2,312
Finance cost	**3,272**	4,172	**13,446**	17,032
Borrowings drawn down	**-**	23,000	**-**	141,000
Borrowings repayment	**142,300**	12,820	**226,529**	88,220
Joint venture				
Other operating income	**-**	82	**-**	1,517

10. Related party transactions and balances (continued)

(b) Remuneration of key management personnel

	Three month period ended		Nine month period ended	
	30 September 2020 AED'000	30 September 2019 AED'000	**30 September 2020 AED'000**	30 September 2019 AED'000
	(Unaudited)		**(Unaudited)**	
Salaries and other short term employees' benefits	**3,514**	3,296	**10,554**	10,100
Termination and post-employment benefits	**109**	158	**320**	355
	3,623	3,454	**10,874**	10,455

During the current period, an additional provision for the Board of Directors' remuneration amounting to AED 1.4 million was recognised *(during the nine month period ended 30 September 2019: AED 0.6 million)* based on the final approval of the shareholders in the Annual General Meeting dated 8 April 2020.

(c) Due from related parties

	30 September 2020 AED'000	31 December 2019 AED'000
	(Unaudited)	(Audited)
Due from a joint venture	**903**	8,412
Due from other related parties	**962,047**	1,200,127
	962,950	1,208,539
Less: provision for impairment	**(396,475)**	(396,532)
	566,475	812,007

Cash and bank balances includes amounts held with the significant shareholder of the Group (a bank), bank account balances of AED 109 million *(31 December 2019: AED 142 million)* and fixed deposits of AED 145 million *(31 December 2019: AED 205 million)*, at market prevailing profit rates.

In 2010, the Group entered into a sale and purchase agreement with a related party (the "purchaser") to sell properties for a sale consideration agreed on by both parties as per the initial agreement of AED 3,648 million.

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

Following these amendments and various previous amendments to the original agreement and partial settlement of the balance, the outstanding amount from the related party as at 30 September 2020 is AED 516.6 million (31 December 2019: AED 1,198.7 million) against which a provision for impairment amounting to AED 362.9 million exists. The outstanding balance based on the last amendment effective from 31 December 2019, is to be settled by the purchaser no later than 31 December 2020.

10. Related party transactions and balances (continued)

(c) Due from related parties

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 a related parties

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Due to a significant shareholder	**146**	247
Due to other related parties	**1,656**	1,553
	1,802	1,800

At 30 September 2020, the Group had bank borrowings from a significant shareholder (a bank) of AED 242 million *(31 December 2019: AED 468.8 million)*, at market prevailing profit rates (Note 12).

11. Share capital

	30 September 2020 AED'000 (Unaudited)	31 December 2019 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

In the Annual General Meeting held on 8 April 2020, the shareholders approved the proposal of the Board of Directors for reduction of the issued share capital of the Group. As at the reporting date, Group is undertaking all the necessary procedures and steps to allow the capital reduction.

12. Borrowings

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Islamic finance obligations		
Current	**195,533**	289,544
Non-current	**592,632**	691,761
Total borrowings	**788,165**	981,305

	Total AED'000
1 January 2019	1,013,833
Draw down	215,436
Repayments	(247,964)
31 December 2019 (Audited)	981,305
1 January 2020	981,305
Draw down	52,145
Repayments	(245,285)
30 September 2020 (Unaudited)	**788,165**

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 one to ten years from the reporting date *(31 December 2019: one to eleven years)*.

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

13. Trade and other payables

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

14. Cash flows from operating activities

	Nine month period ended 30 September	
	2020	2019
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Profit for the period	**13,057**	53,047
Adjustments for:		
Depreciation on property and equipment	**18,898**	8,816
Provision for employees' end of service benefits	**1,626**	2,275
Reversal of provision for impairment of properties held for development and sale	**-**	2,865
Impairment against trade receivables, contract and other financial assets	**(1,987)**	(1,241)
Provision for claims	**3,611**	341
Write back of provision for impairment against advance for purchase of properties	**-**	(2,481)
Loss/(gain) on fair valuation of investment properties (Note 7)	**9,652**	(10,845)
Finance income	**(2,570)**	(5,805)
Finance costs	**28,358**	21,204
Share of results from a joint venture and an associate	**(20,210)**	(11,631)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	**50,435**	56,545
Payment of employees' end of service benefits	**(994)**	(1,171)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	**(80,563)**	(27,490)
Trade and other receivables - non-current	**18,266**	(42,692)
Trade and other receivables - current	**208,379**	(148,369)
Due from related parties	**(83,455)**	(3,396)
Inventories	**(124)**	(170)
Retentions payable - non-current	**(11,787)**	12,674
Retentions payable - current	**(6,361)**	16,345
Advances from customers	**(12,107)**	61,773
Trade and other payables	**23,866**	(30,624)
Due to related parties	**2**	-
Net cash generated from/(used in) operating activities	**105,557**	(106,575)

Bank accounts include balance of AED 58 million *(31 December 2019: AED 70.6 million)* and fixed deposits of AED 45 million *(31 December 2019: AED 130 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.

15. Commitments

At 30 September 2020, the Group had total commitments of AED 392.2 million (31 December 2019: AED 109.4 million) with respect to project related contracts issued net of invoices received and accruals made at that date.

16. Contingencies

At 30 September 2020, 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 87 million *(31 December 2019: AED 7.7 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 (2019: 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 (Note 15).

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.

17. Financial instruments by category

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

30 September 2020 (unaudited)	**Amortised cost AED'000**	**Equity instrument at fair value through other comprehensive income AED'000**	**Total AED'000**
Assets as per condensed consolidated statement of financial position			
Equity instrument at fair value other comprehensive income	-	4,096	4,096
Trade, contract and other receivables excluding prepayments and advances	653,355	-	653,355
Due from related parties	566,475	-	566,475
Long term fixed deposits	41,117	-	41,117
Cash and bank balances	319,719	-	319,719
	1,580,666	**4,096**	**1,584,762**

30 September 2020 (unaudited)	**Amortised cost AED'000**		**Total AED'000**
Liabilities as per condensed consolidated statement of financial position			
Trade and other payables	330,730	-	330,730
Retentions payable	76,663	-	76,663
Borrowings	788,165	-	788,165
	1,195,558	-	**1,195,558**

31 December 2019 (audited)	**Amortised cost AED'000**	**Equity instrument at fair value through other comprehensive income AED'000**	**Total AED'000**
Assets as per condensed consolidated statement of financial position			
Equity instrument at fair value other comprehensive income	-	10,865	10,865
Trade, contract and other receivables excluding prepayments and advances	797,627	-	797,627
Due from related parties	812,007	-	812,007
Long term fixed deposits	40,863	-	40,863
Cash and bank balances	415,762	-	415,762
	2,066,259	**10,865**	**2,077,124**

17. Financial instruments by category (continued)

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

31 December 2019 (audited)	**Amortised cost AED'000**	**Equity instrument at fair value through other comprehensive income AED'000**	**Total AED'000**
Liabilities as per condensed consolidated statement of financial position			
Trade and other payables	583,597	-	583,597
Retentions payable	94,812	-	94,812
Borrowings	981,305	-	981,305
	1,659,714	**-**	**1,659,714**

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

	Level 1 AED'000	**Total AED'000**
As at 30 September 2020 (unaudited)		
Equity instrument at fair value through other comprehensive income	**4,096**	**4,096**
As at 31 December 2019 (audited)		
Equity instrument at fair value through other comprehensive income	10,865	10,865

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

18 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 period ended		**Nine month period ended**	
	30 September 2020 AED'000	30 September 2019 AED'000	**30 September 2020 AED'000**	30 September 2019 AED'000
	(Unaudited)		**(Unaudited)**	
Profit for the period (AED'000)	**4,540**	16,321	**13,057**	53,047
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)	**0.08**	0.28	**0.23**	0.92

19 Impact of COVID-19

The outbreak of novel coronavirus (Covid-19) in early 2020 is causing disruptions in normal lives and businesses in many ways. Global economy and several industries have also been impacted significantly, both from business and accounting and reporting perspective. As the Group is essentially engaged in property development, hospitality and facilities management, short term impact may be experienced but there is no change in Management's going concern assessment or business strategy.

As the situation is rapidly evolving, the Group will continue to monitor 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, and investment properties, as necessary, during the course of 2020.