

Deyaar Development PJSC

**Review report and interim financial
information
for the three month period ended
31 March 2023**

Deyaar Development PJSC

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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 31 March 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and cash flows for the three-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
9 May 2023
Dubai
United Arab Emirates

Deyaar Development PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

| | | 31 March 2023 | 31 December 2022 |
|--|--------------|--------------------|---------------------|
| | <i>Notes</i> | AED'000 | AED'000 |
| | | <i>(Unaudited)</i> | <i>(Audited)</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 518,853 | 521,463 |
| Investment properties | 7 | 763,134 | 762,776 |
| Investments in a joint venture and an associate | | 1,369,308 | 1,356,671 |
| Trade, contract and other receivables | 8 | 466,255 | 276,294 |
| Equity investment at fair value through other comprehensive income | | 4,535 | 4,894 |
| | | 3,122,085 | 2,922,098 |
| Current assets | | | |
| Properties held for development and sale | 9 | 1,345,575 | 1,463,259 |
| Inventories | | 2,515 | 3,042 |
| Trade, contract and other receivables | 8 | 551,818 | 635,211 |
| Due from related parties | 10 | 213,140 | 212,897 |
| Cash and bank balances | | 1,004,853 | 939,907 |
| | | 3,117,901 | 3,254,316 |
| Total assets | | 6,239,986 | 6,176,414 |
| EQUITY | | | |
| Share capital | 11 | 4,375,838 | 4,375,838 |
| Legal reserve | | 14,424 | 14,424 |
| Equity investment fair valuation reserve | | (14,800) | (14,441) |
| Retained earnings | | 182,465 | 126,664 |
| Total equity | | 4,557,927 | 4,502,485 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 12 | 810,176 | 838,261 |
| Retentions payable | | 16,204 | 13,409 |
| Provision for employees' end of service benefits | | 16,472 | 16,070 |
| | | 842,852 | 867,740 |
| Current liabilities | | | |
| Borrowings | 12 | 90,794 | 99,247 |
| Advances from customers | 13 | 240,641 | 196,439 |
| Trade and other payables | 14 | 462,974 | 465,714 |
| Retentions payable | | 44,555 | 44,408 |
| Due to related parties | 10 | 243 | 381 |
| | | 839,207 | 806,189 |
| Total liabilities | | 1,682,059 | 1,673,929 |
| Total equity and liabilities | | 6,239,986 | 6,176,414 |

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 09 May 2023 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 three month period ended 31 March 2023

| | <i>Notes</i> | Three month period ended | |
|--|--------------|---------------------------------|------------------|
| | | 31 March 2023 | 31 March 2022 |
| | | AED'000 | AED'000 |
| | | (Unaudited) | |
| Revenue | | 312,539 | 161,897 |
| Direct costs | | (210,762) | (99,944) |
| General, administrative and selling expenses | | (55,690) | (43,650) |
| Other operating income | | 6,378 | 1,200 |
| Finance cost | | (14,009) | (7,003) |
| Provision/expense against claims | | (89) | (79) |
| Finance income | | 5,062 | 149 |
| Share of results from a joint venture and an associate | | 12,922 | 12,492 |
| Profit for the period | | 56,351 | 25,062 |
| Earnings per share - basic and diluted | <i>19</i> | Fils 1.29 | Fils 0.43 |

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 three month period ended 31 March 2023

| | Three month period ended | |
|--|-----------------------------|-----------------------------|
| | 31 March 2023 AED'000 | 31 March 2022 AED'000 |
| | (Unaudited) | |
| Profit for the period | 56,351 | 25,062 |
| 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 | (359) | (644) |
| Total comprehensive income for the period | 55,992 | 24,418 |

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 three month period ended 31 March 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, as previously reported (audited) | 5,778,000 | 303,438 | (13,874) | (1,705,600) | 4,361,964 |
| <i>Total comprehensive (loss)/income for the period (unaudited)</i> | | | | | |
| Profit for the period | - | - | - | 25,062 | 25,062 |
| Other comprehensive loss for the period | - | - | (644) | - | (644) |
| Total comprehensive (loss)/income for the period (unaudited) | - | - | (644) | 25,062 | 24,418 |
| Balance at 31 March 2022 (unaudited) | 5,778,000 | 303,438 | (14,518) | (1,680,538) | 4,386,382 |
| 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 | - | - | - | 56,351 | 56,351 |
| Other comprehensive loss for the period | - | - | (359) | - | (359) |
| Total comprehensive (loss)/income for the period (unaudited) | - | - | (359) | 56,351 | 55,992 |
| Adjustments to Board of Directors' remuneration [Refer Note 10 (b)] | - | - | - | (550) | (550) |
| Balance at 31 March 2023 (unaudited) | 4,375,838 | 14,424 | (14,800) | 182,465 | 4,557,927 |

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 three month period ended 31 March 2023

| | <i>Notes</i> | Three month period ended | |
|--|--------------|-----------------------------|-----------------------------|
| | | 31 March 2023 AED'000 | 31 March 2022 AED'000 |
| <i>(Unaudited)</i> | | | |
| Cash flows from operating activities | | | |
| Net cash generated from/(used in) operating activities | <i>15</i> | 115,327 | (11,807) |
| Cash flows from investing activities | | | |
| Additions to property and equipment | | (1,642) | (1,279) |
| Addition to investment properties | | (358) | (65) |
| Dividend received from an associate | | - | 2,000 |
| Net movement in term deposits with an original maturity greater than three months | | 135,000 | 35,000 |
| Income from term deposits | | 2,394 | 150 |
| Net cash generated from investing activities | | 135,394 | 35,806 |
| Cash flows from financing activities | | | |
| Repayments of borrowings | <i>12</i> | (37,038) | (145,489) |
| Drawdown of borrowings | <i>12</i> | 500 | 224,993 |
| Finance costs paid | | (14,148) | (6,208) |
| Net cash (used in)/generated from financing activities | | (50,686) | 73,296 |
| Net increase in cash and cash equivalents | | 200,035 | 97,295 |
| Cash and cash equivalents, beginning of the period | | 694,990 | 398,029 |
| Charge of impairment on bank balances | | (8) | (32) |
| Cash and cash equivalents, end of the period | | 895,017 | 495,292 |
| For the purpose of condensed consolidated statement of cash flows; cash and cash equivalents comprise: | | | |
| Cash in hand | | 2,006 | 633 |
| Current accounts | | 499,427 | 377,032 |
| Fixed deposits | | 504,020 | 148,570 |
| | | 1,005,453 | 526,235 |
| Less: provision for impairment | | (600) | (440) |
| Cash and bank balances, net | | 1,004,853 | 525,795 |
| Less: term deposits with an original maturity greater than three months | | (109,836) | (30,503) |
| Cash and cash equivalents | | 895,017 | 495,292 |

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 three month period ended 31 March 2023

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 has 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 Company has applied the requirements of New Companies Law during the year ended 31 December 2022.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information for the three month period ended 31 March 2023 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 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of UAE Federal Law No. (32) of 2021.

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 year

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

In the current year, the Group has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these 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; and
- Amendment to IFRS 17 Insurance contracts.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (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*

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective.

| <u><i>New and revised IFRSs</i></u> | <u><i>Effective for annual periods beginning on or after</i></u> |
|---|--|
| Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture. | Effective date deferred indefinitely |

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 consolidated financial statements.

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 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 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 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.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (continued)

5. Segment information (continued)

Operating segment (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 |
|---|--|---|------------------------|------------------|
| Three month period ended 31 March 2023 | | | | |
| <i>(unaudited)</i> | | | | |
| Segment revenues – external | 245,549 | 33,305 | 33,685 | 312,539 |
| Segment profit | 36,209 | 5,980 | 14,162 | 56,351 |
| As at 31 March 2023 (unaudited) | | | | |
| Segment assets | 5,047,736 | 388,317 | 803,933 | 6,239,986 |
| Segment liabilities | 1,376,110 | 289,621 | 16,328 | 1,682,059 |
| | Property development activities AED'000 | Properties and facilities management AED'000 | Hospitality AED'000 | Total AED'000 |
| Three month period ended 31 March 2022 | | | | |
| <i>(unaudited)</i> | | | | |
| Segment revenues – external | 101,377 | 28,833 | 31,687 | 161,897 |
| Segment profit | 9,011 | 2,849 | 13,202 | 25,062 |
| As at 31 December 2022 (audited) | | | | |
| Segment assets | 5,085,713 | 283,517 | 807,184 | 6,176,414 |
| Segment liabilities | 1,482,850 | 170,485 | 20,594 | 1,673,929 |

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 31 March 2023 is AED 0.5 million (31 December 2022: 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 31 March 2023.

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 4.3 million (31 March 2022: AED 4.1 million).

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 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 | 31 March 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 | 161,041 | 74,201 | 14,045 | 222,042 | 291,447 | 762,776 | 758,231 |
| Additions | 42 | - | - | 217 | 99 | 358 | 1,356 |
| Transfer from properties held for development and sale | - | - | - | - | - | - | 3,189 |
| Net gain from fair value adjustments on investment properties | - | - | - | - | - | - | - |
| Fair value at the end of reporting period/year | 161,083 | 74,201 | 14,045 | 222,259 | 291,546 | 763,134 | 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 426 million (31 December 2022: AED 426 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 31 March 2023.

8. Trade, contract and other receivables

| | 31 March 2023 AED'000 (Unaudited) | 31 December 2022 AED'000 (Audited) |
|---------------------------------------|--|---|
| Trade and unbilled receivables | 769,636 | 671,456 |
| Other receivables | 248,437 | 240,049 |
| | 1,018,073 | 911,505 |
| Current | 551,818 | 635,211 |
| Non-current | 466,255 | 276,294 |
| Total | 1,018,073 | 911,505 |
| Trade receivables | | |
| Amounts receivable within 12 months | 151,860 | 102,013 |
| Contract assets | | |
| Unbilled receivables within 12 months | 151,521 | 293,149 |
| Unbilled receivables after 12 months | 466,255 | 276,294 |
| | 769,636 | 671,456 |

The above trade and other receivables are net of provision for impairment amounting to AED 121.8 million (31 December 2022: 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 INFORMATION

For the three month period ended 31 March 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 Company 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 872.1 million (2022: AED 843 million) and completed properties with total carrying value of AED 65.6 million (31 December 2022: AED 65.6 million) are mortgaged under Islamic finance obligations (Note 12).

In the current period, the Group has recognised an amount of AED 178.4 million (for the year ended 31 December 2022: AED 406 million and for the three month period ended 31 March 2022: AED 65.6 million) included in the profit or loss under “direct costs” against revenue recognised of AED 233.3 million (for the year ended 31 December 2022: AED 537.8 million and for the three month period ended 31 March 2022: AED 92.3 million).

For plots of land held for future development and use amounting to AED 528.9 million as at the reporting date (31 December 2022: 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:

| | Three month period ended | |
|---------------------------------------|--------------------------|---------------|
| | 31 March 2023 | 31 March 2022 |
| | AED’000 | AED’000 |
| | (Unaudited) | (Unaudited) |
| Ultimate majority shareholder | | |
| Other operating income/finance income | 3,349 | 139 |
| Finance cost | 10,154 | 5,574 |
| Borrowings drawdown | 500 | 123,593 |
| Borrowings repayment | 37,038 | 145,490 |
| Joint venture | | |
| Other operating income | 569 | 165 |
| Associate | | |
| Dividend income | - | 2,000 |

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (continued)

10. Related party transactions and balances (continued)

(b) Remuneration of key management personnel

| | Three month period ended | |
|---|--------------------------|---------------|
| | 31 March 2023 | 31 March 2022 |
| | AED'000 | AED'000 |
| | (Unaudited) | (Unaudited) |
| Salaries and other short-term employees' benefits | 4,061 | 3,337 |
| Termination and post-employment benefits | 103 | 164 |
| Board of Directors' sitting fees | 90 | - |
| | 4,254 | 3,501 |

During the current period, an additional provision for the Board of Directors' remuneration amounting to AED 0.55 million was recognised (*during the three month period ended 31 Mar 2022: AED Nil*) based on the final approval of the shareholders in the Annual General Meeting dated 22 Mar 2023.

(c) Due from related parties comprises:

| | 31 March 2023 | 31 December 2022 |
|--------------------------------|----------------|------------------|
| | AED'000 | AED'000 |
| | (Unaudited) | (Audited) |
| Current | | |
| Due from a joint venture | 1,329 | 1,084 |
| Due from other related parties | 245,426 | 245,426 |
| | 246,755 | 246,510 |
| Less: provision for impairment | (33,615) | (33,613) |
| | 213,140 | 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 172.9 million (*31 December 2022: AED 166.6 million*) and fixed deposits of AED 419 million (*31 December 2022: 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.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (continued)

10. Related party transactions and balances (continued)

(d) Due to related parties comprises:

| | 31 March 2023 AED'000 | 31 December 2022 AED'000 |
|--------------------------------------|--------------------------------------|--------------------------------|
| | (Unaudited) | (Audited) |
| Current | | |
| Due to ultimate majority shareholder | 143 | 271 |
| Due to other related party | 100 | 110 |
| | 243 | 381 |

At 31 March 2023, the Group had bank borrowings from the ultimate majority shareholder of AED 783.8 million (31 December 2022: AED 798.8 million), at market prevailing profit rates (Note 12).

11. Share capital

At 31 March 2023 share capital comprised of 4,375,837,645 (31 December 2022: 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 01 January 2022 AED'000 | Approved reduction AED'000 | As at 31 December 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

| | 31 March 2023 AED'000 | 31 December 2022 AED'000 |
|------------------------------------|--------------------------------------|--------------------------------|
| | (Unaudited) | (Audited) |
| Islamic finance obligations | | |
| Current | 90,794 | 99,247 |
| Non-current | 810,176 | 838,261 |
| Total borrowings | 900,970 | 937,508 |

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (continued)

12. Borrowings (continued)

| | AED'000 |
|----------------------------------|----------------|
| 1 January 2022 | 795,185 |
| Drawdown | 416,194 |
| Repayments | (273,871) |
| 31 December 2022 (Audited) | 937,508 |
| 1 January 2023 | 937,508 |
| Drawdown | 500 |
| Repayments | (37,038) |
| 31 March 2023 (Unaudited) | 900,970 |

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 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 and remaining balance of AED 54 million is available for drawdown to the Group. The new facility carries market prevailing profit rates and is repayable in quarterly instalments over four years from the reporting date. The facility is subject to certain financial covenants.

During the current period, the Group has obtained a new Islamic facility with one local bank amounting to AED 200 million. The new facility carries market prevailing profit rates and is repayable in quarterly instalments over seven years from the reporting date. The facility has AED 199.5 million available for drawdown to the Group. The facility is subject to certain financial covenants.

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

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 by case basis.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (continued)

15. Cash flows from operating activities

| | Three month period ended 31 March | |
|---|--------------------------------------|--------------------------------|
| | 2023 AED'000 (Unaudited) | 2022 AED'000 (Unaudited) |
| Profit for the period | 56,351 | 25,062 |
| Adjustments for: | | |
| Depreciation on property and equipment | 4,252 | 4,125 |
| Provision for employees' end of service benefits | 741 | 776 |
| Reversal of provision against properties held for development and sale | (74) | (2,209) |
| Impairment against trade receivables, contract and other financial assets | 96 | 760 |
| Provision for claims | 89 | 79 |
| Finance income | (5,061) | (149) |
| Finance costs | 14,009 | 7,003 |
| Share of results from a joint venture and an associate | (12,638) | (12,492) |
| Operating cash flows before payment of employees' end of service benefits and changes in working capital | 57,765 | 22,955 |
| Payment of employees' end of service benefits | (339) | (810) |
| Changes in working capital: | | |
| Property held for development and sale (net of project cost accruals) | 117,758 | (36,634) |
| Trade and other receivables - non-current | (189,960) | (73,650) |
| Trade and other receivables – current | 86,055 | 40,353 |
| Due from related parties | (244) | (10) |
| Inventories | 526 | 151 |
| Retentions payable - non-current | 2,794 | 4,546 |
| Retentions payable – current | 146 | (3,396) |
| Advances from customers | 44,203 | 48,894 |
| Trade and other payables | (3,239) | (14,595) |
| Due to related parties | (138) | 389 |
| Net cash generated from/(used in) operating activities | 115,327 | (11,807) |

Bank accounts include a balance of AED 369.9 million (31 December 2022: AED 291.5 million) and fixed deposits of AED 95 million (31 December 2022: 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 101.6 million (31 December 2022: AED 99.7 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2023 (continued)

16. Commitments

At 31 March 2023, the Group had total commitments of AED 645.8 million (*31 December 2022: AED 349 million*) with respect to project related contracts issued net of invoices received and accruals made at that date.

17. Contingencies

Contingent liabilities

At 31 March 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 341.4 million (*31 December 2022: AED 246 million*), which mainly includes performance guarantees of AED 330.9 million (*31 December 2022: 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 (*2022: 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 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 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.

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 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 |
|---|------------------------------|--|------------------|
| 31 March 2023 (unaudited) | | | |
| <i>Assets as per condensed consolidated interim statement of financial position</i> | | | |
| Equity instrument at fair value other comprehensive income | - | 4,535 | 4,535 |
| Trade, contract and other receivables excluding prepayments and advances | 876,989 | - | 876,989 |
| Due from related parties | 213,140 | - | 213,140 |
| Bank balances | 1,000,723 | - | 1,000,723 |
| | 2,090,852 | 4,535 | 2,095,387 |

| | Amortised cost AED'000 | | Total AED'000 |
|--|------------------------------|----------|------------------|
| 31 March 2023 (unaudited) | | | |
| <i>Liabilities as per condensed consolidated interim statement of financial position</i> | | | |
| Trade and other payables | 462,974 | - | 462,974 |
| Retentions payable | 60,758 | - | 60,758 |
| Borrowings | 900,970 | - | 900,970 |
| | 1,424,702 | - | 1,424,702 |

| | 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 condensed consolidated interim 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 | 769,521 | - | 769,521 |
| Due from related parties | 212,897 | - | 212,897 |
| Bank balances | 939,353 | - | 939,353 |
| | 1,921,771 | 4,894 | 1,926,665 |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 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 condensed consolidated interim statement of financial position</i> | | | |
| Trade and other payables | 465,714 | - | 465,714 |
| Retentions payable | 57,817 | - | 57,817 |
| Borrowings | 937,508 | - | 937,508 |
| | 1,461,039 | - | 1,461,039 |

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 31 March 2023 (unaudited)</i> | | |
| Equity instrument at fair value through other comprehensive income | 4,535 | 4,535 |
| <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:

| | Three month period ended | |
|--|------------------------------|------------------------------|
| | 31 March 2023 (Unaudited) | 31 March 2022 (Unaudited) |
| Profit for the period (AED'000) | 56,351 | 25,062 |
| Weighted average number of ordinary shares ('000) | 4,375,838 | 5,778,000 |
| Earnings per ordinary share - Basic and Diluted (Fils) | 1.29 | 0.43 |

Deyaar Development PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 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.

According to CT Law, UAE businesses will be subject to a 9% CT rate on taxable income exceeding a certain threshold, as prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

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.