

DEYAAR DEVELOPMENT PJSC

**REVIEW REPORT AND INTERIM FINANCIAL
INFORMATION**

**FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2022**

Deyaar Development PJSC

INTERIM FINANCIAL INFORMATION

For the three month period ended 31 March 2022

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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 2022 and the related condensed consolidated statements of profit or loss, 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.

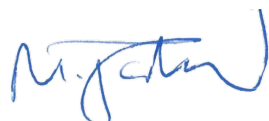
Scope of review

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.)



Mohammad Jallad
Registration No. 1164
10 May 2022
Dubai
United Arab Emirates

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		31 March 2022	31 December 2021
	<i>Notes</i>	AED'000	AED'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property and equipment	6	532,842	535,688
Investment properties	7	761,485	758,231
Investments in a joint venture and an associate		1,375,063	1,364,570
Trade, contract and other receivables	8	217,265	143,615
Equity investment at fair value through other comprehensive income		4,817	5,461
		2,891,472	2,807,565
Current assets			
Properties held for development and sale	9	1,556,251	1,520,597
Inventories		2,279	2,430
Trade, contract and other receivables	8	542,158	583,227
Due from related parties	10	414,163	414,154
Cash and bank balances		525,795	463,544
		3,040,646	2,983,952
Total assets		5,932,118	5,791,517
EQUITY			
Share capital	11	5,778,000	5,778,000
Legal reserve		303,438	303,438
Equity investments fair valuation reserve		(14,518)	(13,874)
Accumulated losses		(1,680,538)	(1,705,600)
Total equity		4,386,382	4,361,964
LIABILITIES			
Non-current liabilities			
Borrowings	12	762,971	716,257
Retentions payable		8,816	4,270
Provision for employees' end of service benefits		15,063	15,096
		786,850	735,623
Current liabilities			
Borrowings	12	111,718	78,928
Advances from customers	13	191,380	142,486
Trade and other payables	14	415,652	429,373
Retentions payable		38,990	42,386
Due to related parties		1,146	757
		758,886	693,930
Total liabilities		1,545,736	1,429,553
Total equity and liabilities		5,932,118	5,791,517

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 10 May 2022 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 three month period ended 31 March 2022

	<i>Note</i>	Three month period ended	
		31 March 2022 AED'000	31 March 2021 AED'000
(Unaudited)			
Revenue		161,897	149,174
Direct costs		(99,944)	(98,192)
General, administrative and selling expenses		(43,650)	(38,367)
Provision/expense against claims		(79)	(798)
Other operating income		1,200	1,896
Finance cost		(7,003)	(6,348)
Finance income		149	428
Share of results from a joint venture and an associate		12,492	7,260
Profit for the period		25,062	15,053
Earnings per share - basic and diluted	<i>19</i>	Fils 0.43	Fils 0.26

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 three month period ended 31 March 2022

	Three month period ended	
	31 March 2022 AED'000	31 March 2021 AED'000
	(Unaudited)	
Profit for the period	25,062	15,053
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	(644)	(531)
Total comprehensive income for the period	24,418	14,522

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2022

	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 2021, as previously reported (audited)	5,778,000	298,358	(15,922)	(1,748,472)	4,311,964
<i>Total comprehensive income for the period (unaudited)</i>					
Profit for the period	-	-	-	15,053	15,053
Other comprehensive loss for the period	-	-	(531)	-	(531)
Total comprehensive income for the period (unaudited)	-	-	(531)	15,053	14,522
Balance at 31 March 2021 (unaudited)	5,778,000	298,358	(16,453)	(1,733,419)	4,326,486
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 income for the period (unaudited)</i>					
Profit for the period	-	-	-	25,062	25,062
Other comprehensive loss for the period	-	-	(644)	-	(644)
Total comprehensive 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

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

Deyaar Development PJSC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2022

	<i>Notes</i>	Three month period ended	
		31 March 2022 AED'000	31 March 2021 AED'000
		(Unaudited)	
Cash flows from operating activities			
Net cash used in from operating activities	<i>14</i>	(11,807)	(14,675)
Cash flows from investing activities			
Additions to property and equipment		(1,279)	(539)
Adjustments to property and equipment		-	1,000
Addition to investment properties		(65)	-
Dividend from Associate		2,000	-
Net movement in term deposits with an original maturity greater than three months		35,000	18,284
Income from term deposits		150	273
Net cash generated from investing activities		35,806	19,018
Cash flows from financing activities			
Repayments of borrowings	<i>12</i>	(145,489)	(44,584)
Drawdown of borrowings	<i>12</i>	224,993	14,500
Finance costs paid		(6,208)	(7,691)
Net cash generated from/(used in) financing activities		73,296	(37,775)
Net increase/(decrease) in cash and cash equivalents		97,295	(33,432)
Cash and cash equivalents, beginning of the period		398,029	320,309
(Reversal)/charge of impairment on bank balances		(32)	35
Cash and cash equivalents, end of the period		495,292	286,912
For the purpose of condensed consolidated statement of cash flows; cash and cash equivalents comprise:			
Cash in hand		633	786
Current accounts		377,032	165,938
Fixed deposits		148,570	201,259
		526,235	367,983
Less: provision for impairment		(440)	(4,481)
Cash and bank balances, net		525,795	363,502
Less: term deposits with an original maturity greater than three months		(30,503)	(76,590)
Cash and cash equivalents		495,292	286,912

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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022

1. Legal status and activities

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

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

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

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim financial information for the three month period ended 31 March 2022 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 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of UAE Federal Law No. (2) of 2015.

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

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

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

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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

2. Basis of preparation and accounting policies (continued)

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

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

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</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
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	1 January 2023
Amendments to IAS 8 <i>Accounting policies, Changes in accounting estimates and errors</i>	1 January 2023
IFRS 17 <i>Insurance Contracts</i> establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> .	1 January 2023

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

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 2021.

4. Financial risk management

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

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

The interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statement, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2021.

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

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>Three month period ended</i>				
<i>31 March 2022 (unaudited)</i>				
Segment revenues - external	92,349	37,861	31,687	161,897
Segment profit	9,011	2,849	13,202	25,062
<i>As at 31 March 2022 (unaudited)</i>				
Segment assets	5,151,870	241,751	538,497	5,932,118
Segment liabilities	1,376,841	150,519	18,376	1,545,736

	Property development activities AED'000	Properties and facilities management AED'000	Hospitality AED'000	Total AED'000
<i>Three month period ended</i>				
<i>31 March 2021 (unaudited)</i>				
Segment revenues - external	108,552	26,337	14,285	149,174
Segment profit	10,015	3,001	2,037	15,053
<i>As at 31 December 2021 (audited)</i>				
Segment assets	5,023,202	227,778	540,537	5,791,517
Segment liabilities	1,264,487	144,461	20,605	1,429,553

Revenue from property development activities are recognised over time and revenue from 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 31 March 2022 is AED 0.5 million (31 December 2021: AED 0.5 million).

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

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.

Management has reviewed prior year valuation for all three hotels and believes that there was no material variance in the recoverable value as at 31 March 2022.

The Group has a policy of depreciating assets on a straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value. The Group depreciates buildings for 50 years and furniture and fixtures from 5 to 15 years. Furthermore, the depreciation expense of the Group in the current period amounted to AED 4.1 million (*31 March 2021: AED 5.1 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	31 March 2022 Total AED'000	31 December 2021 Total AED'000
	(Unaudited)					(Audited)	
Fair value hierarchy	3	3	3	3	3		
Fair value at the beginning of the reporting period/year	160,313	74,201	14,045	221,549	288,123	758,231	736,077
Additions	-	-	-	49	16	65	1,134
Transfer from properties held for sale	-	-	-	-	3,189	3,189	13,363
Net gain from fair value adjustments on investment properties	-	-	-	-	-	-	7,657
Fair value at the end of reporting period/year	160,313	74,201	14,045	221,598	291,328	761,485	758,231

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

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

Investment properties with carrying value of AED 425.7 million (*31 December 2021: AED 347.3 million*) are mortgaged against bank borrowings (Note 12).

Management has reviewed prior year valuation for all of its investment properties and believes that there was no material variance in the fair value of the Group's investment properties as at 31 March 2022.

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

8. Trade, contract and other receivables

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Trade and unbilled receivables	550,125	538,032
Other receivables	209,298	188,810
	759,423	726,842
Current	542,158	583,227
Non-current	217,265	143,615
Total	759,423	726,842
Trade receivables		
Amounts receivable within 12 months	139,788	99,871
Contract assets		
Unbilled receivables within 12 months	193,072	294,546
Unbilled receivables after 12 months	217,265	143,615
	550,125	538,032

The above trade and other receivables are net of provision for impairment amounting to AED 122.4 million (*31 December 2021: AED 120.3 million*) relating to trade and other receivables which are past due. All the other receivables are considered recoverable.

9. Properties held for development and sale

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

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

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

Plots of land including under development projects with total carrying value of AED 976.6 million (*2021: AED 954.7 million*) and completed properties with total carrying value of AED 68.3 million (*31 December 2021: AED 43.7 million*) are mortgaged under Islamic finance obligations (Note 12).

In the current period, the Group has recognised an amount of AED 65.6 million (*for the year ended 31 December 2021: AED 220.6 million and for the three month period ended 31 March 2021: AED 76.1 million*) included in the profit or loss under “direct costs” against revenue recognised of AED 92.3 million (*for the year ended 31 December 2021: AED 299.3 million and for the three month period ended 31 March 2021: AED 101.1million*).

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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

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 2022	31 March 2021
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Ultimate majority shareholder		
Other operating income/finance income	139	480
Finance cost	5,574	2,412
Borrowings drawdown	123,593	14,500
Borrowings repayment	145,490	26,024
Joint venture		
Other operating income	165	155
Associate		
Dividend income	2,000	-

(b) Remuneration of key management personnel

	Three month period ended	
	31 March 2022	31 March 2021
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employees' benefits	3,337	3,255
Termination and post-employment benefits	164	117
	3,501	3,372

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

10. Related party transactions and balances (continued)

(c) Due from related parties comprises:

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Current		
Due from a joint venture	2,359	2,350
Due from other related parties	445,426	445,426
	447,785	447,776
Less: provision for impairment	(33,622)	(33,622)
	414,163	414,154

Cash and bank balances include amounts held with the ultimate majority shareholder of the Group, bank account balances of AED 162 million (31 December 2021: AED 113 million) and fixed deposits of AED 133 million (31 December 2021: AED 168 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.

(d) Due to related parties comprises:

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Current		
Due to ultimate majority shareholder	658	322
Due to other related parties	488	435
	1,146	757

At 31 March 2022, the Group had bank borrowings from the ultimate majority shareholder of AED 773.3 million (31 December 2021: AED 795.2 million), at market prevailing profit rates (Note 12).

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

11. Share capital

At 31 March 2022 and 31 December 2021, share capital comprised of 5,778,000,000 shares of AED 1 each. All shares are authorised, issued and fully paid up.

Subsequent to the period end, at the Annual General Meeting of Shareholders (AGM) in April 2022, the Shareholders approved the proposal of the Board of Directors for reduction of the issued share capital of the Group. Below table represents the approved proposal:

	As at 31 December 2021 Position AED'000	Adjustment AED'000	Proposed position 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)	-

The Shareholders have delegated the Group's Chief Executive Officer and Board of Directors to undertake all necessary procedures and steps to allow the Group to complete the capital reduction.

12. Borrowings

	31 March 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Islamic finance obligations		
Current	111,718	78,928
Non-current	762,971	716,257
Total borrowings	874,689	795,185
		AED'000
1 January 2021		826,500
Draw down		626,407
Repayments		(657,722)
31 December 2021 (Audited)		795,185
1 January 2022		795,185
Draw down		224,993
Repayments		(145,489)
31 March 2022 (Unaudited)		874,689

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.

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

12. Borrowings (continued)

During the period, the Group has signed a new Islamic facility with one local bank amounting to AED 250 million. The existing outstanding facilities with the ultimate majority shareholder was settled partially by utilising the new facility and remaining balance of AED 147 million is available for drawdown to the Group. The new facility carries market prevailing profit rates and is repayable in yearly instalments over five years from the reporting date. The facility is subject to financial covenants.

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

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

13. Advance 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 IFRSs.

14. Trade and other payables

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

Deyaar Development PJSC

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

15. Cash flows from operating activities

	Three month period ended 31 March	
	2022 AED'000 (Unaudited)	2021 AED'000 (Unaudited)
Profit for the period	25,062	15,053
Adjustments for:		
Depreciation on property and equipment	4,125	5,104
Provision for employees' end of service benefits	776	617
Reversal of provision against properties held for development and sale	(2,209)	(92)
Impairment against trade receivables, contract and other financial assets	760	(306)
Provision for claims	79	798
Finance income	(149)	(428)
Finance costs	7,003	6,348
Share of results from a joint venture and an associate	(12,492)	(7,260)
Operating cash flows before payment of employees' end of service benefits and changes in working capital	22,955	19,834
Payment of employees' end of service benefits	(810)	(322)
Changes in working capital:		
Property held for development and sale (net of project cost accruals)	(36,634)	(1,265)
Trade and other receivables - non-current	(73,650)	44,073
Trade and other receivables – current	40,353	(35,974)
Due from related parties	(10)	(662)
Inventories	151	49
Retentions payable - non-current	4,546	(6,546)
Retentions payable – current	(3,396)	(20,607)
Advances from customers	48,894	18,299
Trade and other payables	(14,595)	(32,916)
Due to related parties	389	1,362
Net cash used in operating activities	(11,807)	(14,675)

Bank accounts include balance of AED 257 million (31 December 2021: AED 202 million) and fixed deposits of AED 30 million (31 December 2021: AED 25 million) at market prevailing profit rates held in escrow accounts.

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

Bank accounts balance include balance of AED 81.4 million (31 December 2021: AED 63.2 million), held in a fiduciary capacity on behalf and for the beneficial interest of third parties, which are recorded in these condensed consolidated financial statements.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

16. Commitments

At 31 March 2022, the Group had total commitments of AED 549.2 million (*31 December 2021: AED 601 million*) with respect to project related contracts issued net of invoices received and accruals made at that date.

17. Contingencies

At 31 March 2022, the Group has contingent liabilities in respect of performance bond and guarantees issued by a bank, in the ordinary course of business, amounting to AED 172.5 million (*31 December 2021: AED 172.4 million*). Also, the Group has contingent liabilities, on behalf of a subsidiary, in respect to guarantees issued by a bank amounting to AED 3.4 million (*2021: AED 3.4 million*). The Group anticipates that no material liabilities will arise from these performance and other guarantees.

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

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

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

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

As at 31 March 2022, the court of execution has suspended the auction process of attached properties temporarily on the basis of application filed by the Group.

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

18. Financial instruments by category

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

	Amortised cost AED'000	Equity instrument at fair value through other comprehensive income AED'000	Total AED'000
31 March 2022 (unaudited)			
Assets as per condensed consolidated statement of financial position			
Equity instrument at fair value other comprehensive income	-	4,817	4,817
Trade, contract and other receivables excluding prepayments and advances	628,792	-	628,792
Due from related parties	414,163	-	414,163
Cash and bank balances	525,795	-	525,795
	1,568,750	4,817	1,573,567

	Amortised cost AED'000		Total AED'000
31 March 2022 (unaudited)			
Liabilities as per condensed consolidated statement of financial position			
Trade and other payables	415,652	-	415,652
Retentions payable	47,806	-	47,806
Borrowings	874,689	-	874,689
	1,338,147	-	1,338,147

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

18. Financial instruments by category (continued)

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

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

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

	Level 1 AED'000	Total AED'000
As at 31 March 2022 (unaudited)		
Equity instrument at fair value through other comprehensive income	4,817	4,817
As at 31 December 2021 (audited)		
Equity instrument at fair value through other comprehensive income	5,461	5,461

The carrying value less impairment provision of trade receivables, contract assets, due from related parties, bank balances and long term fixed deposit is assumed to 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.

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 2022 (Unaudited)	31 March 2021 (Unaudited)
Profit for the period (AED'000)	25,062	15,053
Weighted average number of ordinary shares ('000)	5,778,000	5,778,000
Earnings per ordinary share - Basic and Diluted (Fils)	0.43	0.26

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 (continued)

20. Impact of COVID-19

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

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