**Damac Properties Dubai Co. PJSC**
**Dubai – United Arab Emirates**

# Review report and condensed consolidated interim financial information for the nine month period ended 30 September 2021

**Damac Properties Dubai Co. PJSC**

**Review report and condensed consolidated interim financial information (Unaudited) for the nine month period ended 30 September 2021**

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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors**
**Damac Properties Dubai Co. P.J.S.C.**
**Dubai**
**United Arab Emirates**

***Introduction***

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Damac Properties Dubai Co. P.J.S.C.** (the "Company") **and its subsidiaries** (together referred to as the "Group") as at 30 September 2021 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three month and nine month period then ended and the condensed consolidated interim statements of changes in equity and cash flows for the nine month period then ended and other explanatory information. Management is responsible for the preparation and 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 condensed consolidated 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 condensed consolidated interim financial information is not prepared, in all material respects in accordance with IAS 34.

***Other matters***

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021. Furthermore, the condensed consolidated interim financial information of the Group for the nine month period ended 30 September 2020 were reviewed by another auditor who expressed an unmodified conclusion on 11 November 2020.

**Deloitte & Touche (M.E.)**



Akbar Ahmad
Registration No.: 1141
11 November 2021
Dubai, United Arab Emirates

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

## Condensed consolidated interim statement of financial position as at 30 September 2021

| | Notes | 30 September 2021 (Unaudited) AED'000 | 31 December 2020 (Audited) AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 6 | **3,376,738** | 4,242,238 |
| Trade and other receivables | 7 | **5,400,818** | 7,029,139 |
| Development properties | 8 | **8,121,910** | 7,783,004 |
| Investment in associates | 9 | **800,712** | 293,000 |
| Other financial assets | 10 | **414,177** | 729,246 |
| Financial investments | 11 | **2,840,243** | 762,912 |
| Right-of-use assets | 12 | **57,582** | 59,637 |
| Property and equipment | 13 | **66,037** | 63,898 |
| Investment properties | 14 | **166,553** | 172,647 |
| **Total assets** | | **21,244,770** | 21,135,721 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15 | **6,050,000** | 6,050,000 |
| Statutory reserve | | **903,497** | 903,497 |
| Fair value reserve | | **281,027** | (43,459) |
| Retained earnings | | **5,514,772** | 6,079,883 |
| **Total equity** | | **12,749,296** | 12,989,921 |
| **Liabilities** | | | |
| Trade and other payables | 16 | **2,869,086** | 2,818,052 |
| Advances from customers | 17 | **2,819,274** | 2,067,676 |
| Lease liabilities | 12 | **70,154** | 65,314 |
| Bank borrowings | 18 | **124,834** | 124,834 |
| Sukuk certificates | 19 | **2,612,126** | 3,069,924 |
| **Total liabilities** | | **8,495,474** | 8,145,800 |
| **Total equity and liabilities** | | **21,244,770** | 21,135,721 |

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 aspects the financial position, financial performance and cash flows of the Group.

The interim financial information was signed on 11 November 2021 by:

**Chairman** **Director**

The accompanying notes from page 7 to 27 form an integral part of these condensed consolidated interim financial information.

## Condensed consolidated interim statement of profit or loss (Unaudited) for the nine month period ended 30 September 2021

| | Notes | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|---|
| | | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Revenue | 21 | **1,015,872** | 1,279,515 | **2,393,850** | 3,651,582 |
| Cost of sales | | **(669,692)** | (1,014,550) | **(1,686,397)** | (2,823,702) |
| **Gross profit** | | **346,180** | 264,965 | **707,453** | 827,880 |
| Other operating income | 22 | **89,650** | 8,141 | **125,654** | 46,417 |
| General, administrative and selling expenses | 23 | **(391,673)** | (185,647) | **(1,087,854)** | (541,154) |
| Amortisation of right-of-use assets | 12 | **(682)** | (8,205) | **(2,055)** | (24,615) |
| Depreciation on property & equipment and investment properties | | **(5,721)** | (7,224) | **(17,051)** | (22,032) |
| Provision for impairment on development properties | 8 | **-** | (528,491) | **-** | (966,345) |
| Loss allowance reversal/(charged) on trade receivables | 7 | **35,556** | (51,218) | **(25,199)** | (226,076) |
| **Operating profit/(loss)** | | **73,310** | (507,679) | **(299,052)** | (905,925) |
| (Loss)/gain on financial investments carried at FVTPL | 11 | **(249,812)** | (2,608) | **(74,218)** | 59,679 |
| Other income - net | 24 | **27,811** | 14,472 | **84,346** | 54,879 |
| Finance income | 25 | **3,324** | 8,995 | **8,944** | 38,813 |
| Finance costs | 26 | **(41,606)** | (57,793) | **(143,872)** | (178,750) |
| Share of net loss of associates | 9 | **(2,905)** | - | **(8,258)** | - |
| **Loss before tax** | | **(189,878)** | (544,613) | **(432,110)** | (931,304) |
| Income tax expense | 30 | **-** | - | **(48,405)** | - |
| **Loss for the period** | | **(189,878)** | (544,613) | **(480,515)** | (931,304) |
| ***Loss per share*** | | | | | |
| Basic and diluted (AED) | 29 | **(0.0314)** | (0.0900) | **(0.0794)** | (0.1539) |

The accompanying notes from page 7 to 27 form an integral part of these condensed consolidated interim financial information.

## Condensed consolidated interim statement of comprehensive income (Unaudited) for the nine month period ended 30 September 2021

| | Notes | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|---|
| | | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| **Loss for the period** | | **(189,878)** | (544,613) | **(480,515)** | (931,304) |
| **Other comprehensive income / (loss):** | | | | | |
| *Item that will not be reclassified subsequently to profit or loss* | | | | | |
| Fair value (loss) / gain on investment in equity instruments designed at fair value through other comprehensive income (FVTOCI) | **11(a)** | **(1,335)** | - | **239,890** | (43,459) |
| **Total comprehensive loss for the period** | | **(191,213)** | (544,613) | **(240,625)** | (974,763) |

The accompanying notes from page 7 to 27 form an integral part of these condensed consolidated interim financial information.

## Condensed consolidated interim statement of changes in equity (Unaudited) for the nine month period ended 30 September 2021

| | Share capital AED'000 | Statutory reserve AED'000 | Fair value reserve AED'000 | Retained earnings AED'000 | Total AED'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2020 | 6,050,000 | 903,497 | - | 7,119,355 | 14,072,852 |
| Loss for the period | - | - | - | (931,304) | (931,304) |
| Other comprehensive loss | - | - | (43,459) | - | (43,459) |
| Total comprehensive loss for the period | - | - | (43,459) | (931,304) | (974,763) |
| Balance at 30 September 2020 | 6,050,000 | 903,497 | (43,459) | 6,188,051 | 13,098,089 |
| Balance at 1 January 2021 | 6,050,000 | 903,497 | (43,459) | 6,079,883 | 12,989,921 |
| Loss for the period | - | - | - | (480,515) | (480,515) |
| Other comprehensive income | - | - | 239,890 | - | 239,890 |
| **Total comprehensive loss for the period** | **-** | **-** | **239,890** | **(480,515)** | **(240,625)** |
| Transfer on derecognition of investment at FVTOCI [note 11 (a)] | - | - | 84,596 | (84,596) | - |
| **Balance at 30 September 2021** | **6,050,000** | **903,497** | **281,027** | **5,514,772** | **12,749,296** |

The accompanying notes from page 7 to 27 form an integral part of these condensed consolidated interim financial information.

## Condensed consolidated interim statement of cash flows (Unaudited) for the nine month period ended 30 September 2021

| | 1 January to 30 September | |
|---|---|---|
| | **2021 (9 month) (Unaudited) AED'000** | 2020 (9 month) (Unaudited) AED'000 |
| **Cash flows from operating activities** | | |
| Loss for the period before tax | **(432,110)** | (931,304) |
| *Adjustments for:* | | |
| Depreciation on property and equipment and investment properties (note 13 and 14) | **17,051** | 22,032 |
| Amortisation on right-of-use assets (note 12) | **2,055** | 24,615 |
| Provision for employees' end-of-service indemnity (note 16) | **8,949** | 7,169 |
| Amortisation of issue costs on sukuk certificates (note 19) | **3,777** | 3,777 |
| Loss on disposal of property and equipment | **-** | 298 |
| Provision for impairment on development properties (note 8) | **-** | 966,345 |
| Loss allowance of trade receivables (note 7) | **25,199** | 226,076 |
| Finance costs (note 26) | **143,872** | 178,750 |
| Finance income (note 25) | **(8,944)** | (38,813) |
| Loss on fair value of financial investment at FVTPL (note 11) | **157,222** | 2,071 |
| Share of net loss of associates (note 9) | **8,258** | - |
| Dividend income (note 24) | **(37,919)** | - |
| Loss/(gain) on repurchase of sukuk certificates (note 24) | **6,031** | (22,153) |
| **Operating cash flows before changes in operating assets and liabilities** | **(106,559)** | 438,863 |
| Decrease in trade and other receivables | **1,597,105** | 512,767 |
| (Increase)/decrease in development properties | **(338,906)** | 104,880 |
| Decrease in trade and other payables | **(22,442)** | (277,519) |
| Increase/(decrease) in advances from customers | **751,598** | (324,218) |
| Employee end-of-service indemnity paid (note 16) | **(6,380)** | (11,091) |
| **Net cash generated from operating activities** | **1,874,416** | 443,682 |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment (note 13) | **(13,096)** | (6,958) |
| Acquisition of financial investment at FVTPL and FVTOCI (note 11) | **(2,769,348)** | (300,372) |
| Investment in associates | **(286,650)** | - |
| Sale of property and equipment | - | 313 |
| Proceeds from sale of financial investment at FVTPL (note 11) | **545,365** | 272,980 |
| Decrease in other financial assets | **315,069** | 130,983 |
| Decrease/(increase) in deposits with an original maturity of greater than three months | **197,001** | (906,578) |
| Dividend income received | **37,919** | - |
| Interest received | **14,958** | 41,145 |
| **Net cash used in investing activities** | **(1,958,782)** | (768,487) |
| **Cash flows from financing activities** | | |
| Repayment of bank borrowings | **-** | (276,516) |
| Redemption and repurchase of sukuk certificates | **(467,605)** | (176,900) |
| Repayment for principal portion of lease liabilities | **-** | (23,024) |
| Finance costs paid | **(116,528)** | (127,118) |
| **Net cash used in financing activities** | **(584,133)** | (603,558) |
| **Net decrease in cash and cash equivalents** | **(668,499)** | (928,363) |
| Cash and cash equivalents at the beginning of the period | **3,307,918** | 4,131,307 |
| **Cash and cash equivalents at the end of the period (note 6)** | **2,639,419** | 3,202,944 |

The accompanying notes from page 7 to 27 form an integral part of these condensed consolidated interim financial information.

## Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021

### 1. General information

Damac Properties Dubai Co. PJSC (the "Company" or the "Parent") was incorporated in Dubai on 20 June 1976 as a Public Stock Company and operates in the United Arab Emirates under a trade license issued in Dubai. The Company is listed on the Dubai Financial Market. The address of the Company's registered office is P.O. Box 2195, Dubai, United Arab Emirates ("U.A.E.").

The Parent and its subsidiaries (collectively the "Group") are involved mainly in the development of properties in the Middle East.

The majority shareholder, Mr. Hussain Sajwani (the "Majority Shareholder") resigned as Chairman of the Company on 8 June 2021. Subsequently, Mr. Farooq Arjomand and Mr. Ali Malallah Binjab have been elected as Chairman and Vice Chairman, respectively of the Board of Directors of the Group.

**Conditional cash acquisition offer and Board recommendation**

On 8 June 2021, the Parent received a conditional cash offer (the "Offer") from Maple Invest Co Limited (the "Offeror") a related party under the common ownership of the Majority Shareholder to acquire remaining minority shareholders by offering AED 1.30 per share.

Subsequent to the reporting date, on 28 October 2021, the Company received an amended Offer of AED 1.40 per share by the Offeror. The Offer is subject to certain terms and conditions as disclosed in the announcement to the market. The Board of Directors (the "Board"), having evaluated the inputs received from its independent financial and legal advisors as to the terms of the Offer, in conjunction with the Company's current cash position and liabilities, and near term general economic conditions, considers the terms of the Offer to be appropriate and reasonable. Accordingly, on 28 October 2021, the Board have unanimously recommended Company's shareholders to accept the Offer. Following the successful acceptance of the Offer, Offeror intends to delist DAMAC shares from the Dubai Financial Markets PJSC ("DFM").

### 2. Basis of preparation and statement of compliance

### 2.1 Statement of compliance

The condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of Federal Law No. 2 of 2015.

The condensed consolidated interim financial information of the Group do not include all the information and disclosures required in the full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020. In addition, results for the period from 1 January 2021 to 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

### 2.2 Basis of preparation

The condensed consolidated interim financial information of the Group are prepared under the historical cost basis except for certain financial assets carried either at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

### 2. Basis of preparation and statement of compliance (continued)

### 2.2 Basis of preparation (continued)

The condensed consolidated interim statement of profit or loss and other comprehensive income for the nine month period ended 30 September 2021 and 30 September 2020 is not significantly affected by seasonality of the results.

The condensed consolidated interim financial information of the Group are presented in thousands of United Arab Emirates Dirhams ("AED'000") which is the Group's reporting currency. Amounts are rounded to the nearest thousand, unless otherwise stated. The individual financial statements of Group entities are prepared in respective local currencies, being the currency in the primary economic environment in which these entities operate (the functional currency).

### 3. Summary of significant accounting policies

The principal accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

### 3.1 New standards, amendments and interpretations

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current period and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to phase 2 of interest rate benchmark reforms.
- Amendments of IFRS 16 Leases relating to Covid-19 Related Rent Concessions

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

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

| New and revised IFRS | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 16 *Property, plant and equipment* relating to proceeds before intended use. | 1 January 2022 |
| Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to onerous contracts. | 1 January 2022 |
| Amendments to IFRS 3 *Business Combinations* relating to reference to conceptual framework | 1 January 2022 |
| Annual improvements to IFRS standards 2018 – 2020 | 1 January 2022 |
| Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and errors* | 1 January 2023 |
| Amendments to IAS 1 *Presentation of Financial Statements* relating to classification of Liabilities as Current or Non-Current | 1 January 2023 |

## Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

### 3. Summary of significant accounting policies (continued)

### 3.1 New standards, amendments and interpretations (continued)

| New and revised IFRS | Effective for annual periods beginning on or after |
|---|---|
| IFRS 17 *Insurance Contracts* and Amendment to IFRS 17 *Insurance Contracts* | 1 January 2023 |
| Amendments to IAS 12 Income Taxes relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9 | 1 January 2023 |
| Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 | 1 January 2023 |
| Amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to treatment of sale or contribution of assets from investors | Effective date deferred indefinitely. |

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

### 3.2 Details of subsidiary consolidated

The Company consolidated 100% of the operations, assets and liabilities of the subsidiary listed below (together the "Group"):

| Name of the entity | Country of incorporation | Principal activities | Legal and economic interest |
|---|---|---|---|
| Damac Real Estate Development Limited, DIFC ("DRED")* | United Arab Emirates | Holding company | 100% |

*the holding company includes 104 subsidiaries, the results of which are consolidated in DRED.

### 3.3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

### 4. Critical accounting judgments and key sources of estimation of uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical judgements and estimates used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except for the changes highlighted below:

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 4. Critical accounting judgments and key sources of estimation of uncertainty (continued)

*Investment in Associates*

During the period, Group acquired 25% (Note 9) equity interest in Damac International Limited ("DIL") (a related entity), Accordingly, as at 30 September 2021 Group's shareholding in DIL increased from 20% to 45% which has resulted in reclassification of the investment from investment in financial assets carried at FVTOCI to Investment in Associates. Management has assessed the impact of IAS 28: *Investments in Associates and Joint Ventures* and has concluded that the Group has significant influence over the entity and hence the investment has been accounted for as an 'Associate'.

## 5. Segment analysis

The Group currently comprises a single reportable operating segment, being property development. Information reported to the Board of Directors for the purpose of the resource allocation and assessment of performance is primarily determined by the geographical location of these operations.

Revenue, operating results, assets and liabilities presented in the condensed consolidated interim financial information of the Group pertains to property development segment of the Group.

Geographic information for the Group is split between operations in the U.A.E. "Domestic" and operations in other jurisdictions "International".

| | **Three month period ended 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Revenue | | | | |
| Domestic | **964,647** | 1,256,412 | **2,250,091** | 3,594,728 |
| International | **51,225** | 23,103 | **143,759** | 56,854 |
| | **1,015,872** | 1,279,515 | **2,393,850** | 3,651,582 |

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Development properties | | |
| Domestic | **7,043,448** | 6,668,013 |
| International | **1,078,462** | 1,114,991 |
| | **8,121,910** | 7,783,004 |

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 6. Cash and bank balances

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Cash on hand | **16,862** | 967 |
| Cash held in escrow | **1,718,036** | 2,399,147 |
| Bank balances | **521,445** | 608,780 |
| Fixed deposits | **1,120,395** | 1,233,344 |
| Cash and bank balances | **3,376,738** | 4,242,238 |
| Fixed deposits with an original maturity of greater than three months | **(737,319)** | (934,320) |
| Cash and cash equivalents | **2,639,419** | 3,307,918 |

Cash held in escrow represents cash received from customers which is held with banks authorised by the Real Estate Regularity Authority ("RERA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence is considered as cash and cash equivalents.

Balances with banks are assessed to have low credit risk of default since these assets are held with banks that are highly regulated by the central banks of the respective countries. Accordingly, the management estimates the loss allowance at the end of the reporting period at an amount equal to 12-month ECL.

Considering the historical default experience and the current credit ratings of the banks, the management have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

Fixed deposits are financial assets held by banks with maturity period of less than and more than three months from the date of placement. As at reporting date, the fixed deposits earned interest at rates ranging from 0.5% to 1% (2020: 1% to 3%) per annum.

At the reporting date, fixed deposits and bank balances of AED 587 million (31 December 2020: AED 416 million) are held by banks under lien against credit facilities issued to the Group.

At the reporting date, cash and cash equivalents amounting to AED 1,367 million (31 December 2020: AED 2,133 million) is held with Islamic banks and the remaining balance is held with conventional banks.

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 7. Trade and other receivables

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Unbilled receivables *(i)* | **3,033,660** | 3,526,654 |
| Trade receivables *(ii)* | **1,787,721** | 3,080,405 |
| Loss allowance on trade receivables *(iii)* | **(237,349)** | (212,150) |
| | **4,584,032** | 6,394,909 |
| Advances and deposits | **428,407** | 470,441 |
| Other receivables, prepayments and other assets | **388,379** | 163,789 |
| | **5,400,818** | 7,029,139 |

*(i)* Unbilled receivables are contract assets which relates to the Group's right to receive consideration for work completed but not billed at the reporting date. These are transferred to trade receivables when invoiced as per milestones agreed in contracts with the customers.

*(ii)* Trade receivables represent amounts due from customers. Customers are allowed 30 days from each invoice date to settle outstanding dues.

*(iii)* Movement in loss allowance on trade receivables is as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period / year | **(212,150)** | (65,432) |
| Loss allowance during the period / year | **(25,199)** | (146,718) |
| Balance at the end of the period / year | **(237,349)** | (212,150) |

## 8. Development properties

Development properties represent development and construction costs incurred on properties being developed for sale. Movement during the period/year is as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period/year | **7,783,004** | 9,527,253 |
| Additions | **2,016,997** | 3,178,988 |
| Transfer to cost of sales | **(1,678,091)** | (3,598,178) |
| Provision for impairment | **-** | (1,325,059) |
| Balance at the end of the period/year | **8,121,910** | 7,783,004 |

## 8. Development properties (continued)

During the period ended 30 September 2021, Group have entered into a Sale and Purchase Agreement ("SPA") dated 21 September 2021 with a third party for the purchase of certain land parcels (the "Parcel") amounting to AED 1,500 million. As of the reporting date, the Group has a remaining commitment of AED 1,309 million relating to this SPA and will be recorded as and when the payment is made, and each Parcel is legally transferred to the Group.

*Impairment of development properties*

At 30 September 2021, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realizable value of each project. This review resulted in an impairment provision of AED Nil (31 December 2020: AED 1,325 million).

*Assets held as development properties*

The development properties balance includes land held for future development, properties under development and completed properties held in inventory. The balance is split into the categories as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Land held for future development | **2,821,073** | 2,688,675 |
| Properties under development | **3,438,094** | 3,094,579 |
| Completed properties | **1,862,743** | 1,999,750 |
| | **8,121,910** | 7,783,004 |

No borrowing costs have been capitalised to development properties. The carrying value of development properties located outside the United Arab Emirates as at 30 September 2021 is AED 1,078 million (31 December 2020: AED 1,115 million).

## 9. Investment in associates

The 25% equity interest of Nine Elms S.H Co. Ltd, Jersey ("NESH") is representative of 25% equity interest in Nine Elms Property Ltd, Jersey ("NEPL"). NEPL is engaged in developing and selling a project – DAMAC Towers Nine Elms London.

During the period ended 30 September 2021, pursuant to the Board Resolution dated 4 March 2021, the Group entered into a share purchase agreement with DICO International Ventures Company Limited to acquire an additional 25% shareholding in DIL for a consideration of AED 287 million which resulted in an overall equity interest in DIL to 45%. The Group reclassified financial investment carried at FVTOCI to Investment in Associates amounting to AED 229 million.

## 9. Investment in associates (continued)

The following entities have been included in the condensed consolidated interim financial information of the Group using the equity method:

| Name | Country of incorporation principal place of business | Proportion of ownership interest held as at | | Investments in associates held as at | |
|---|---|---|---|---|---|
| | | 30 September 2021 | 31 December 2020 | 30 September 2021 AED'000 | 31 December 2020 AED'000 |
| Nine Elms S.H Co Ltd | Jersey | 25% | 25% | **290,153** | 293,000 |
| Damac International Limited | Cayman Island | 45% | 20% | **510,559** | - |
| **Closing balance** | | | | **800,712** | 293,000 |

During the period ended 30 September 2021, Group recorded a share of net loss of associates amounting to AED 8 million (30 September 2020: Nil).

## 10. Other financial assets

| | 30 September 2021 (Unaudited) AED'000 | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Escrow retention accounts | **401,327** | 718,996 |
| Margin deposits | **11,144** | 7,154 |
| Other | **1,706** | 3,096 |
| | **414,177** | 729,246 |

In accordance with applicable laws, the Group holds funds under escrow in Real Estate Regulatory Authority ("RERA") authorised bank accounts. These funds must be held in these escrow accounts for a fixed period of one year after completion of the relevant development properties, at which point they are released to the Group. These funds earn profit or interest at relevant commercial rates.

Other financial assets are assessed to have low credit risk of default since these assets are held with banks that are highly regulated by the central banks of the respective countries. Accordingly, the management of the Group estimates the loss allowance at the end of the reporting period at an amount equal to 12-month ECL. Considering the historical default experience and the current credit ratings of the banks, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

At 30 September 2021, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit or interest at relevant commercial rates.

As at the reporting date, an amount of AED 182 million (31 December 2020: AED 380 million) is held with Islamic banks and the remaining balance is held with conventional banks.

## 11. Financial investments

As at the reporting date, the balances of financial investments carried at FVTPL and FVTOCI:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Financial investments at FVTOCI [11 (a)] | **890,055** | 270,457 |
| Financial investments at FVTPL [11 (b)] | **1,950,188** | 492,455 |
| | **2,840,243** | 762,912 |

### a) Financial investments at FVTOCI

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Opening balance | **270,457** | 369,753 |
| Additions/(disposals) (i) | **609,028** | (55,837) |
| Change in fair value | **239,890** | (43,459) |
| Derecognition/reclassified to investment in associates (ii) | **(229,320)** | - |
| Closing balance | **890,055** | 270,457 |

i. During the period ended 30 September 2021, Group acquired quoted equity instrument designated at FVTOCI amounting to AED 609 million (31 December 2020: AED Nil). As at 30 September 2021, Group has recognised a fair value gain amounting to AED 281 million (31 December 2020: AED Nil).

ii. During the period ended 30 September 2021, Group acquired additional 25% equity interest in DIL which resulted in an overall equity interest of the Group in DIL to 45%, which resulted in reclassification from financial investment at FVTOCI to Investment in Associates amounting to AED 229 million. Further, during the period ended 30 September 2021, the Group has recognised a fair value loss of AED 41 million based on the valuation carried out by an independent valuer (31 December 2020: AED 43 million). During the period ended 30 September 2021, accumulated loss of AED 85 million has been reclassified from investment at FVTOCI to retained earnings.

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 11. Financial investments (continued)

### b) Financial investments at FVTPL

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| **Opening balance** | **492,455** | - |
| Additions | **2,160,320** | 915,770 |
| Disposals (i) | **(545,365)** | (457,225) |
| Change in fair value through profit or loss (ii) | **(157,222)** | 33,910 |
| **Closing balance** | **1,950,188** | 492,455 |

i. During the period ended 30 September 2021, the Group mainly invested in quoted equity securities listed on the London stock exchange and the New York stock exchange. During the period ended 30 September 2021, Group has sold equity investments amounting to AED 545 million and recognised a gain of AED 83 million (for the year ended 31 December 2020: AED 116 million) in the condensed consolidated interim statement of profit or loss.

ii. The Group has fair valued the quoted equity investments based on published market prices prevailing as at 30 September 2021 and recognised a loss of AED 157 million (31 December 2020: recognised a gain of AED 34 million) in the condensed consolidated interim statement of profit or loss.

## 12. Right-of-use assets and lease liabilities

| | **Total AED'000** |
|---|---|
| **Cost:** | |
| At 1 January 2020 (Audited) | 125,278 |
| At 31 December 2020 (Audited) | 125,278 |
| **At 30 September 2021 (Unaudited)** | **125,278** |
| **Accumulated amortisation:** | |
| At 1 January 2020 (Audited) | 32,820 |
| Charge for the year | 32,821 |
| At 31 December 2020 (Audited) | 65,641 |
| Charge for the period | 2,055 |
| **At 30 September 2021 (Unaudited)** | **67,696** |
| **Carrying value** | |
| **At 30 September 2021 (Unaudited)** | **57,582** |
| At 31 December 2020 (Audited) | 59,637 |

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 12. Right-of-use assets and lease liabilities (continued)

Amount of lease liabilities outstanding as at period / year end:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Opening balance | **65,314** | 93,370 |
| Interest expense for the period / year (note 26) | **4,840** | 7,897 |
| Lease payment during the period / year | **-** | (35,953) |
| **Closing balance** | **70,154** | 65,314 |

## 13. Property and equipment

| | **Buildings AED'000** | **Furniture and fixtures AED'000** | **Tools and office equipment AED'000** | **Motor vehicles AED'000** | **Total AED'000** |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 January 2020 | 92,077 | 79,690 | 119,457 | 7,984 | 299,208 |
| Additions | - | 2,288 | 5,311 | 307 | 7,906 |
| Disposals | (18) | - | (611) | - | (629) |
| At 31 December 2020 (Audited) | 92,059 | 81,978 | 124,157 | 8,291 | 306,485 |
| Additions | 51 | 2,887 | 7,912 | 2,246 | 13,096 |
| Disposals | (32) | (2,918) | (4,858) | (897) | (8,705) |
| **At 30 September 2021 (Unaudited)** | **92,078** | **81,947** | **127,211** | **9,640** | **310,876** |
| **Accumulated depreciation and impairment:** | | | | | |
| At 1 January 2020 | 15,340 | 62,016 | 89,945 | 3,867 | 171,168 |
| Charge for the year | 8,548 | 2,669 | 8,675 | 1,056 | 20,948 |
| Impairment losses | 50,490 | - | - | - | 50,490 |
| Disposals | (19) | - | - | - | (19) |
| At 31 December 2020 (Audited) | 74,359 | 64,685 | 98,620 | 4,923 | 242,587 |
| Charge for the period | 2,593 | 2,200 | 5,118 | 1,046 | 10,957 |
| Disposals | (32) | (2,918) | (4,858) | (897) | (8,705) |
| **At 30 September 2021 (Unaudited)** | **76,920** | **63,967** | **98,880** | **5,072** | **244,839** |
| **Carrying value At 30 September 2021 (Unaudited)** | **15,158** | **17,980** | **28,331** | **4,568** | **66,037** |
| At 31 December 2020 (Audited) | 17,700 | 17,293 | 25,537 | 3,368 | 63,898 |

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 14. Investment properties

Investment properties represent completed properties held at cost less accumulated depreciation and any impairment losses under the cost model in accordance with IFRS. Movement during the period/year is as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| **Cost:** | | |
| Balance at the beginning of the period/ year | **203,114** | 203,114 |
| Balance at the end of the period/ year | **203,114** | 203,114 |
| **Accumulated depreciation:** | | |
| Balance at the beginning of the period/ year | **30,467** | 22,343 |
| Charge for the period/ year | **6,094** | 8,124 |
| Balance at the end of the period/ year | **36,561** | 30,467 |
| **Net carrying amount** | **166,553** | 172,647 |

## 15. Share capital

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Authorised, issued, subscribed and fully paid shares of AED 1 each | **6,050,000** | 6,050,000 |

## 16. Trade and other payables

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Trade payables | **741,014** | 689,487 |
| Accruals | **791,110** | 841,586 |
| Retentions payable *(i)* | **952,465** | 1,070,696 |
| Other payables | **293,049** | 174,831 |
| Provision for employees' end-of-service indemnity *(ii)* | **44,021** | 41,452 |
| Provision for taxation | **47,427** | - |
| | **2,869,086** | 2,818,052 |

*(i)* Retentions comprise amounts due to contractors which are held for one year after the completion of a project until the defects liability period has passed and are typically between 5% and 15% of work done.

## 16. Trade and other payables (continued)

*(ii)* Movement in provision for employees' end-of-service indemnity during the period/year is as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period/ year | **41,452** | 51,657 |
| Charge for the period/year | **8,949** | 6,770 |
| Payments during the period/year | **(6,380)** | (16,975) |
| Balance at the end of the period/year | **44,021** | 41,452 |

## 17. Advances from customers

Advances from customers are contract liabilities which represent payments received from customers for sale of properties for which revenue has not yet been recognised.

Movement during the period/year is as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period/year | **2,067,676** | 2,371,228 |
| Amounts collected/advance billing during the period/year | **3,205,598** | 4,481,844 |
| Amount invoiced/revenue recognised during the period/year | **(2,313,336)** | (4,629,806) |
| Other operating income recognised during the period/year | **(140,664)** | (155,590) |
| Balance at the end of the period/year | **2,819,274** | 2,067,676 |

## 18. Bank borrowings

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Bank facilities | **124,834** | 124,834 |

## 18. Bank borrowings (continued)

a) The Group has unsecured interest-bearing term loan facility amounting to AED 367 million with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2022. AED 242 million was repaid as at 30 September 2021.

b) During the period, Group had arranged for a bank overdraft facility amounting to AED 300 million (31 December 2020: AED Nil) of which the entire amount is unutilized as at 30 September 2021.

c) As at 30 September 2021, the Group had arranged for bank facilities amounting to AED 1,217 million (31 December 2020: AED 1,346 million) in the form of letters of credit and guarantees out of which AED 96 million (31 December 2020: AED 841 million) remained unutilised as at the reporting date.

d) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 370 million (31 December 2020: AED 369 million), corporate guarantees of the Company, pledges over bank accounts and deposits aggregating to AED 241 million (31 December 2020: AED 416 million).

e) Repayment profile of the Group's bank borrowings at the reporting date is as follows:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| On demand or within one year | **124,834** | 124,834 |

## 19. Sukuk certificates

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Sukuk certificates | **2,617,088** | 3,078,663 |
| Unamortised issue costs | **(4,962)** | (8,739) |
| Carrying amount | **2,612,126** | 3,069,924 |

*Movement in unamortised issue costs is as follows:*

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Balance at the beginning of the period/year | **8,739** | 13,775 |
| Amortised during the period/year | **(3,777)** | (5,036) |
| Balance at the end of the period/year | **4,962** | 8,739 |

## 19. Sukuk certificates (continued)

- On 20 April 2017, the Group issued US$ 500 million (AED 1,838 million) Sukuk Trust Certificates (the "Certificates") maturing in 2022. Alpha Star Holding III Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificate holders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificate holders pro rata according to the face amount of Certificates held by each Certificate holder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificate holders are paid returns at the rate of 6.25% per annum.

  During the period ended 30 September 2021, the Group repurchased sukuk certificates carrying face value of US$ 103 million (AED 379 million) at a premium.

- On 18 April 2018, the Group issued US$ 400 million (AED 1,470 million) Sukuk Trust Certificates (the "Certificates") maturing in 2023. Alpha Star Holding V Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificate holders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificate holders pro rata according to the face amount of Certificates held by each Certificate holder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificate holders are paid returns at the rate of 6.625% per annum.

  During the period ended 30 September 2021, the Group repurchased sukuk certificates carrying face value of US$ 23 million (AED 83 million) at a premium.

*The repayment profile of sukuk certificates is as follows:*

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Amount due for settlement within 12 months | **1,340,600** | - |
| Amount due for settlement after 12 months | **1,271,526** | 3,069,924 |
| | **2,612,126** | 3,069,924 |

## 20. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24: *Related Party Disclosures*. Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges which are substantially the same terms as those prevailing at the same time for comparable transactions with the third parties. Pricing policies and terms of all transactions are approved by the management.

Nature of significant related party transactions and amounts involved are as follows:

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Entities under the control of the shareholder | | | | |
| Investment in Damac International Limited *(i)* (note 9) | **-** | - | **286,500** | - |
| Support services fees *(ii) (note 24)* | **1,209** | 1,209 | **3,627** | 3,627 |
| Loss on fair valuation of financial investment (note 11) | **-** | - | **41,137** | 43,459 |

*(i) Acquisition of 25% Stake in DIL:*

On 4 March 2021, the Group acquired 25% equity interest of Damac International Limited, a Company registered in Cayman Island, by way of share transfer. The cost of the acquisition amounted to AED 287 million determined based on the valuation carried out by an independent valuer of the Company as at purchase date. The consideration was paid in full and there are no amounts outstanding as at 30 September 2021.

*(ii) Support services fees*

During the period, the Group received AED 3.6 million (30 September 2020: AED 3.6 million) towards support services rendered to Damac International Limited and DICO Investments Co. LLC, both related entities under the common control.

## Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

### 20. Related party transactions (continued)

**Remuneration of key management personnel**

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: *Related Party Disclosures*.

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Salaries and other short-term employee benefits | **955** | 1,838 | 4,433 | 6,052 |
| Other long-term benefits | **46** | 96 | 188 | 313 |
| | **1,001** | 1,934 | **4,621** | 6,365 |

### 21. Revenue

Revenue recognised over time and point in time is provided as below:

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Over time | **831,068** | 1,075,202 | **1,934,116** | 3,325,708 |
| Point in time | **184,804** | 204,313 | **459,734** | 325,874 |
| | **1,015,872** | 1,279,515 | **2,393,850** | 3,651,582 |

### 22. Other operating income

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Income from cancellation of units, net | **89,650** | 8,141 | **125,654** | 46,417 |

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 23. General, administrative and selling expenses

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Staff costs | **97,396** | 66,823 | **259,437** | 228,325 |
| Selling and marketing expenses | **203,752** | 60,176 | **552,884** | 151,028 |
| Repairs and maintenance | **51,008** | 31,682 | **162,805** | 66,053 |
| Rent and license fees | **7,282** | 4,926 | **17,926** | 15,153 |
| Legal and professional | **14,631** | 10,488 | **41,974** | 27,501 |
| Travel and communication | **4,211** | 2,363 | **10,703** | 13,564 |
| Bank charges | **5,478** | 5,195 | **13,406** | 15,637 |
| Insurance | **2,210** | 1,694 | **5,583** | 7,498 |
| Social contributions | **54** | - | **1,375** | 1,540 |
| Other | **5,651** | 2,300 | **21,761** | 14,855 |
| | **391,673** | 185,647 | **1,087,854** | 541,154 |

## 24. Other income – net

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Property management fees | **10,058** | 6,417 | **34,561** | 24,034 |
| Support services fees (note 20) | **1,209** | 1,209 | **3,627** | 3,627 |
| Dividend income | **16,197** | - | **37,919** | - |
| (Loss) / gain on repurchase of sukuk certificates | **(5,308)** | 6,091 | **(6,031)** | 22,153 |
| Other | **5,655** | 755 | **14,270** | 5,065 |
| | **27,811** | 14,472 | **84,346** | 54,879 |

**Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)**

## 25. Finance income

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Islamic banks and financial institutions | **1,052** | 1,469 | **2,756** | 20,875 |
| Conventional banks and financial institutions | **2,272** | 7,526 | **6,188** | 17,938 |
| | **3,324** | 8,995 | **8,944** | 38,813 |

## 26. Finance costs

| | Three month period ended 30 September | | Nine month period ended 30 September | |
|---|---|---|---|---|
| | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 | **2021 (Unaudited) AED'000** | 2020 (Unaudited) AED'000 |
| Islamic banks and financial institutions | **38,774** | 52,166 | **133,169** | 157,538 |
| Conventional banks and financial institutions | **1,180** | 3,741 | **5,863** | 15,004 |
| Interest on lease liabilities (note 12) | **1,652** | 1,886 | **4,840** | 6,208 |
| | **41,606** | 57,793 | **143,872** | 178,750 |

## 27. Contingent liabilities

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Bank guarantees | **1,121,123** | 607,780 |

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 30 September 2021.

There were certain claims submitted by the contractors in lieu of various construction projects in the ordinary course of business. Based on the review of opinion provided by the internal legal team, the management has assessed that no material unprovided liabilities will arise as at reporting date. The Group also has certain claims from the customers and other parties for which the management is of the opinion that no cash outflows are expected to be paid by the Group against these legal cases and claims.

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.

## 28. Commitments

Commitments for the acquisition of services for the development and construction of assets classified under developments in progress:

| | **30 September 2021 (Unaudited) AED'000** | 31 December 2020 (Audited) AED'000 |
|---|---|---|
| Contracted for | **1,235,900** | 1,689,030 |

*Operating lease commitments – Group as a lessor*

The Group has entered into leases on its investment property portfolio whose contracted periods do not exceed one year.

## 29. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit or loss 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 30 September** | | **Nine month period ended 30 September** | |
|---|---|---|---|---|
| | **2021 (Unaudited)** | 2020 (Unaudited) | **2021 (Unaudited)** | 2020 (Unaudited) |
| Loss for the period (AED'000) | **(189,878)** | (544,613) | **(480,515)** | (931,304) |
| Weighted average number of ordinary shares ('000) | **6,050,000** | 6,050,000 | **6,050,000** | 6,050,000 |
| Loss per ordinary share – Basic and diluted (AED) | **(0.0314)** | (0.0900) | **(0.0794)** | (0.1539) |

## 30. Income tax expense

During the period ended 30 September 2021, the Group has received Zakat Assessment orders for its subsidiary in Kingdom of Saudi Arabia for the years 2015 to 2018 from General Authority of Zakat and Tax ("GAZT") and raised demand of zakat amounting to AED 48 million. The Group has filed an appeal against the decision to GAZT. At the end of the reporting period, the management has estimated that the amount of additional zakat, if any, that may become payable on finalisation of the unassessed zakat period would not be material to the Group's financial position.

## 31. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

## 31. Fair value of financial instruments (continued)

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial information approximate their fair values. As at 30 September 2021, financial investments carried at FVTOCI reported in Note 11(a) is classified as Level 1 (31 December 2020: Note 11(a) is classified as Level 3). The financial investments at fair value through profit or loss reported in Note 11(b) is classified as Level 1 (31 December 2020: Note 11(b) is classified as Level 1).

There were no transfers between Level 1, 2 and 3 during the period ended 30 September 2021 and year ended 31 December 2020.

## 32. Comparative figures

Previous period figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current period. The reclassification does not have any effect on the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows.

## 33. Impact of COVID-19

The outbreak of novel coronavirus (Covid-19) pandemic in early 2020 has either directly or indirectly impacted all businesses. Measures to prevent transmission of the virus has an immediate impact on businesses, which then affects supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Implications of reduced economic activity on financial reporting should be considered by all companies. As the Group is essentially engaged in property development, short term impact has been experienced, however, management continues to have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future.

During the period ended 30 September 2021, the overall situation regarding new infections improved in the UAE. The vaccination campaigns initiated at the end of 2020 were massively deployed with significant percentage of the eligible population being vaccinated. The vaccination drive around the world has been also gaining momentum and is helping in containing the impact of Covid-19. This resulted in gradual relaxation of travel restrictions with several countries and a start of normalisation of the activity in UAE at the end of the reporting period.

The Group continues monitoring the evolution of the situation and adjust its operations in a dynamic manner to cope with an acceleration or a deceleration of the recovery and keep adjusting its critical judgements and estimates including the inputs used for expected credit loss, macroeconomic factors, valuation of development properties and investment properties, as necessary.

## 34. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information for the nine month period ended 30 September 2021 was approved by the Board of Directors and authorised for issue on 11 November 2021.