

Emaar Development PJSC and its Subsidiaries

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 SEPTEMBER 2021

Emaar Development PJSC and its Subsidiaries

**Unaudited Interim Condensed Consolidated Financial Statements
For the period ended 30 September 2021**

Table of Contents

	<u>Pages</u>
Report on Review of Interim Condensed Consolidated Financial Statements	1 – 2
Interim Condensed Consolidated Statement of Comprehensive Income	3
Interim Condensed Consolidated Statement of Financial Position	4
Interim Condensed Consolidated Statement of Changes in Equity	5 – 6
Interim Condensed Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8 – 27



KPMG Lower Gulf Limited
The Offices 5 at One Central
Level 4, Office No: 04.01
Sheikh Zayed Road, P.O. Box 3800
Dubai, United Arab Emirates
Tel. +971 (4) 4030300, www.kpmg.com/ae

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders of Emaar Development PJSC

Introduction

We have reviewed the accompanying 30 September 2021 interim condensed consolidated financial statements of Emaar Development PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the interim condensed consolidated statement of financial position as at 30 September 2021;
- the interim condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2021;
- the interim condensed consolidated statement of cash flows for the nine-month period ended 30 September 2021; and
- notes to the interim condensed consolidated financial statements.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.



Scope of review

We conducted our review in accordance with 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 statements 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 30 September 2021 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates

Date: 14 November 2021

Emaar Development PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2021 (Unaudited)

(US\$ 1.00 = AED 3.673)

	Notes	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	4	11,603,811	7,132,969	3,849,109	2,315,056
Cost of revenue	4	(7,224,255)	(4,609,271)	(2,420,640)	(1,578,110)
GROSS PROFIT		4,379,556	2,523,698	1,428,469	736,946
Selling, general and administrative expenses	5	(1,246,616)	(846,639)	(393,179)	(294,120)
Finance income	6(a)	30,881	37,099	13,021	7,286
Finance cost	6(b)	(207,124)	(125,848)	(64,277)	(28,628)
Other income		25,778	18,788	10,840	7,809
Share of results of joint ventures		183,033	13,831	80,239	1,634
PROFIT FOR THE PERIOD		3,165,508	1,620,929	1,075,113	430,927
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,165,508	1,620,929	1,075,113	430,927
ATTRIBUTABLE TO:					
Owners of the Company		2,383,973	1,358,670	871,580	323,145
Non-controlling interest		781,535	262,259	203,533	107,782
		3,165,508	1,620,929	1,075,113	430,927
Earnings per share attributable to the owners of the Company: -basic and diluted earnings per share (AED)		0.60	0.34	0.22	0.08

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Emaar Development PJSC and its Subsidiaries


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

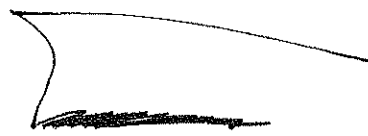
(US\$ 1.00 = AED 3.673)

	Notes	30 September 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
ASSETS			
Bank balances and cash	7	4,905,932	3,349,997
Trade and unbilled receivables	8	13,905,443	9,692,636
Other assets, receivables, deposits and prepayments	9	5,061,734	4,668,705
Development properties	10	12,249,585	14,469,588
Loan to joint ventures	11	971,278	975,248
Investments in joint ventures	12	699,397	516,362
Property, plant and equipment		29,152	36,402
TOTAL ASSETS		37,822,521	33,708,938
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	13	13,138,341	12,887,764
Advances from customers		4,482,489	2,733,041
Retentions payable		800,909	854,624
Interest-bearing loans and borrowings	14	3,811,709	3,711,446
Provision for employees' end-of-service benefits		22,699	22,297
TOTAL LIABILITIES		22,256,147	20,209,172
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,000,000	4,000,000
Legal reserve		855,356	855,356
Retained earnings		8,777,083	6,397,010
		13,632,439	11,252,366
Non-controlling interests		1,933,935	2,247,400
TOTAL EQUITY		15,566,374	13,499,766
TOTAL LIABILITIES AND EQUITY		37,822,521	33,708,938

To the best of our knowledge, the interim condensed consolidated financial statements fairly present, in all material respects, the interim condensed consolidated financial position, results of operation and interim condensed consolidated cash flows of the Group as of, and for the period ended 30 September 2021.

The interim condensed consolidated financial statements were authorised for issue by Board of Directors and signed on their behalf by:


Director


Director

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Emaar Development PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2021 (Unaudited)

	<i>Attributable to the owners of the Company</i>				Non- controlling interests	Total equity
	Share capital	Legal reserve	Retained earnings	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2021 <i>(Audited)</i>	4,000,000	855,356	6,397,010	11,252,366	2,247,400	13,499,766
Profit for the period	-	-	2,383,973	2,383,973	781,535	3,165,508
Total comprehensive income for the period	-	-	2,383,973	2,383,973	781,535	3,165,508
Director's bonus	-	-	(3,900)	(3,900)	-	(3,900)
Dividend paid	-	-	-	-	(1,095,000)	(1,095,000)
Balance at 30 September 2021	4,000,000	855,356	8,777,083	13,632,439	1,933,935	15,566,374

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Emaar Development PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 September 2021 (Unaudited)

	<i>Attributable to the owners of the Company</i>				Non-controlling interests AED'000	Total equity AED'000
	Share capital AED'000	Legal reserve AED'000	Retained earnings AED'000	Total AED'000		
Balance at 1 January 2020 <i>(Audited)</i>	4,000,000	689,625	4,910,331	9,599,956	2,754,180	12,354,136
Profit for the period	-	-	1,358,670	1,358,670	262,259	1,620,929
Total comprehensive income for the period	-	-	1,358,670	1,358,670	262,259	1,620,929
Directors' bonus	-	-	(4,900)	(4,900)	-	(4,900)
Dividend paid	-	-	-	-	(740,000)	(740,000)
Balance at 30 September 2020	<u>4,000,000</u>	<u>689,625</u>	<u>6,264,101</u>	<u>10,953,726</u>	<u>2,276,439</u>	<u>13,230,165</u>

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Emaar Development PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2021 (Unaudited)

(US\$ 1.00 = AED 3.673)

	<i>Notes</i>	<i>1 January 2021 to 30 September 2021 AED'000</i>	<i>1 January 2020 to 30 September 2020 AED'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		3,165,508	1,620,929
Adjustments for:			
Share of results of joint ventures		(183,033)	(13,831)
Depreciation (<i>including right-of-use assets</i>)	5	9,914	15,883
Provision for employees' end-of-service benefits, net		402	(841)
Finance costs	6(b)	207,124	125,848
Finance income	6(a)	(30,881)	(37,099)
Cash from operations before working capital changes		3,169,034	1,710,889
Trade and unbilled receivables		(4,207,706)	(461,717)
Other assets, receivables, deposits and prepayments		(393,029)	(56,250)
Development properties		2,220,003	163,570
Advances from customers		1,749,448	(900,039)
Trade and other payables		127,546	(965,666)
Retentions payable		(53,715)	36,170
Net cash from/ (used in) operating activities		2,611,581	(473,043)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received		9,631	37,099
Repayment of loan from/ (Loan to) joint ventures		20,119	(77,188)
Amounts incurred on property, plant and equipment		(2,664)	(498)
Net cash from/ (used in) investing activities		27,086	(40,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(107,504)	(126,939)
Borrowings from financial institutions		600,000	407,041
Repayment of borrowings to financial institutions		(459,131)	(199,517)
Directors' bonus		(3,900)	(4,900)
Repayment of lease liability		-	(5,525)
Dividend paid to non controlling share holder of a subsidiary		(1,070,000)	(740,000)
Repayment of funding to the Parent		-	(170,000)
Net cash used in financing activities		(1,040,535)	(839,840)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS			
		1,598,132	(1,353,470)
Cash and cash equivalents at the beginning of the period		3,307,800	3,928,709
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	7	4,905,932	2,575,239

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

1 CORPORATE INFORMATION

The incorporation of Emaar Development PJSC (the “Company”) as a Public Joint Stock Company was approved by the Securities and Commodities Authority according to Federal Law No.4 of 2000 on 20 November 2017 and the registration certificate was issued on 21 November 2017. The Company’s registered office is at P.O. Box 48882, Dubai, United Arab Emirates (“UAE”).

The Company is a subsidiary of Emaar Properties PJSC (the “Parent Company” or “Parent”), a company incorporated in the UAE and listed on the Dubai Financial Market. The legal status of the Company was converted from a limited liability company to a Public Joint Stock Company (PJSC) by selling 20% through an Initial Public Offering (“IPO”). The Company is listed on the Dubai Financial Market and its shares are traded with effect from 22 November 2017. The Company and its subsidiaries constitute the Group (the “Group”).

The principal activities of the Group are property development and development management in the UAE.

The interim condensed consolidated financial statements were authorised for issue on 14 November 2021.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the period ended 30 September 2021 have been prepared in accordance with International Accounting Standard (IAS) 34: *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements, except for the new standards, amendments and significant estimates and judgements adopted during the current period as explained below in notes 2.2 and 2.3.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company’s functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The interim condensed consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of interim condensed consolidated financial statements on the basis described above requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which for the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Certain comparative amounts have been reclassified to conform to the presentation used in these interim condensed consolidated financial statements.

Results for the period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company as at 30 September 2021. Control is achieved where all the following criteria are met:

- (a) the Group has power over an entity (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) the Group has the ability to use its power over the entity to affect the amount of the Company’s returns.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries

A subsidiary is fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interest are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Share of comprehensive income/loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the interim condensed consolidated statement of comprehensive income; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to the interim condensed consolidated statement of comprehensive income or retained earnings, as appropriate.

Details of the Company's subsidiaries are as follows:

Subsidiaries	Place of incorporation	Principal activities	Percentage of effective holding
Dubai Hills Estate LLC	UAE	Property development	50%
Emaar Mina Rashid Development Owned By Emaar Development L.L.C	UAE	Buying, selling and development of real estate and leasing and management of self-owned property	100%
Mina Rashid Properties L.L.C	UAE	Buying, selling and development of real estate	100%
Emaar Gardens L.L.C	UAE	Real Estate Development, Investment in Commercial Enterprises & Management	100%

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group's investment in joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments in joint ventures are carried in the interim condensed consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the joint venture companies, less any impairment in value.

The interim condensed consolidated statement of comprehensive income reflects the Group's share of results of its joint ventures. Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments and estimates and assumptions that have a significant impact on the interim condensed consolidated financial statements of the Group are discussed below:

Judgments

Timing of satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract. In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 *Revenue from Contracts with Customers*, whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the consideration for the unit has been substantially received and there are no impediments in the handing over of the unit to the customer.

Consolidation of a subsidiary

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: *Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions

Split of real estate components

The interim condensed consolidated financial statements of the Group include certain assets, liabilities, income, expenses and cash flows which are allocated to the Group based on management assumptions and estimates. This mainly includes development properties, trade and other payables, retention payable, advance from customers and selling, general and administrative expenses. These are allocated based on evaluation by project consultant and management best estimate of use of corporate resources by the Group.

Impairment of trade, unbilled receivables and other receivables

An estimate of the collectible amount of trade, unbilled and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied based on expected credit losses on such receivables.

Measurement of progress when revenue is recognised over time

The Group has elected to apply the input method to measure the progress of performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Impact of Covid-19

In January 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 Outbreak"). During March 2020, the WHO classified COVID-19 Outbreak as a pandemic based on the rapid increase in exposure and infections across the world. The pandemic nature of this virus has necessitated global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy, social life and also impacting the Group operations.

The COVID-19 Outbreak has impacted the Group which is reflected in its financial results for the year ended 31 December 2020. As a result, the Group has undertaken various measures, rationalizing its operations by optimizing staff level and operating costs, working closely with its suppliers and customers to minimize impact on revenue and cost, re-evaluating projects and increased collection efforts from various customers. As the lockdown started to ease and travel recommenced in the second half of 2020, the Group witnessed increased real estate sales compared to the initial time of pandemic in early part of 2020. The Group's management continues to evaluate current situation including pricing strategy and cost optimization initiatives.

Management's current assessment of the impact of the COVID-19 outbreak is as follows:

a) Net realisable value assessment of development properties

The Group's real estate businesses has continued to deliver on projects. Land held for sale and properties classified under development properties are stated at the lower of cost or net realizable value ("NRV"). NRV is assessed with reference to estimated sales prices, costs of completion and advances received, development plans and market conditions existing at the end of the reporting period. The management has considered COVID-19 outbreak indicators to assess the estimated realizable value of its development properties and concluded that there is no material impact due to COVID-19 outbreak, leading to any significant write-downs, considering the head room that the Group has in respect of its development properties.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

b) *Funding and liquidity*

In response to the pandemic situation, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that, as at 30 September 2021, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn facilities will be sufficient to satisfy its working capital needs, capital expenditures and other liquidity requirements as they fall due in the foreseeable future

c) *External property valuation reports*

As at 31 December 2020 valuations contained a material valuation uncertainty clause by the external valuers due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. The valuation of properties takes into account the level of pandemic, related economic impact, expected recovery including earning levels of properties. As a result of the continued uncertainty, these assumptions may be revised significantly in the subsequent periods.

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

(a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021 and note as mentioned below. Although these new standards and amendments apply for the first time in 2021, they do not have a material impact on the annual consolidated financial statements or the interim condensed consolidated financial statements of the Group.

- Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

(b) Standards, amendments and interpretations in issue but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

- **Amendments to IAS 37** - What is included in cost of fulfilling a contract for onerous contracts (Effective 1 January 2022)
- **Annual Improvements to IFRS Standards 2018 – 2020** – Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41 (effective 1 January 2022)
- **Property, Plant and Equipment, amendments to IAS 16** – Amendments clarify treatment of proceeds before intended use (effective 1 January 2022)
- **Reference to the Conceptual Framework** – Amendments to IFRS 3 (effective 1 January 2022)
- **Definition of Accounting estimates, amendments to IAS 8** - The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. (effective 1 January 2023)
- **IFRS 10 and IAS 28** - Sale or Contribution of Assets between an investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, but an entity that early adopts the amendments must apply them prospectively)

The Group does not expect the adoption of the above new standards, amendments and interpretations to have a material impact on the future consolidated financial statements of the Group.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements for the year ended 31 December 2020, except for the new standards and amendments adopted during the current period as explained in note 2.3.

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is recognised in the interim condensed consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Revenue from sale of land

The performance obligation with regards to sale of land is satisfied at a point in time when customer has access to the plot. The Company has established a criteria of having a signed sales agreement and payment of 20% or more to grant access of plot to the customer.

Upon recognition of revenue against a certain plot, the infrastructure cost allocated to the plot of land is released to the statement of comprehensive income, as cost of revenue.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Development services

Revenue from rendering of development management services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in the interim condensed consolidated income statement in the year in which they are incurred.

Property, plant and equipment

Property, plant and equipment are measured at cost (which includes capitalised borrowing costs) less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Sales centers (included in land and buildings)	1 - 10 years
Computers and office equipment	2 - 5 years
Motor vehicles	3 - 5 years
Furniture and fixtures	2 - 5 years

No depreciation is charged on land and capital work-in-progress. The useful lives, depreciation method and residual values are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the interim condensed consolidated statement of comprehensive income as the expense is incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the condensed consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value less costs to sell is the amount obtainable from the sale of property, plant and equipment in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses other than goodwill impairment recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development properties

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at the lower of cost or net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other directly attributable costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of development properties recognised in the interim condensed consolidated statement of comprehensive income on sale is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The management reviews the carrying values of the development properties on an annual basis.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is made under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at cost, plus transaction costs, except for those financial assets classified as at fair value through other comprehensive income or profit or loss, which are initially measured at fair value. Trade receivables are initially recognised when they are originated. Trade and unbilled receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

Classification of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32: Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Equity investments

All financial assets that are equity investments are measured at fair value either through other comprehensive income or through profit or loss. This is an irrevocable choice that the Group has made on adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments is not recycled. Dividend income for all equity investments is recorded through the interim condensed consolidated income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through P&L and OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments as financial assets measured at fair value through other comprehensive income.

Debt instruments

Debt instruments are also measured at fair value through other comprehensive income (OCI) unless they are classified at amortised cost. They are classified at amortised cost only if:

- the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and unbilled receivables

Trade receivables are stated at original invoice amount (unless there is a significant financing component) less expected credit losses. When a trade receivable is uncollectible, it is written off against provision for doubtful debts. Subsequent recoveries of amounts previously written off are credited to the interim condensed consolidated income statement.

Services rendered but not billed at the reporting date are accrued as per the terms of the agreements as unbilled receivables.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at fair value through profit or loss, the foreign exchange component is recognised in the interim condensed consolidated statement of comprehensive income. For financial assets designated at fair value through other comprehensive income any foreign exchange component is recognised in the interim condensed consolidated statement of comprehensive income. For foreign currency denominated debt instruments classified at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the 'other gains and losses' line item in the interim condensed consolidated statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, and

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

- The Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments and contract assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

For trade and unbilled receivables and other receivables, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the interim condensed consolidated statement of comprehensive income.

The Group consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset (other than inventories, contract assets and deferred tax assets) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses are recognised in the interim condensed consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the interim condensed consolidated statement of comprehensive income.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Loans and borrowings

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the interim condensed consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in interim condensed consolidated statement of comprehensive income .

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the interim condensed consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

End-of-service benefits

The Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its eligible UAE and GCC national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the interim condensed consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Fair value measurement

The Group measures financial instruments, such as investment in securities and hedges, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2021 (Unaudited)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

Fair value of interest rate swap contract is determined by reference to market value for similar instruments.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into one segment based on its products and services, which is the real estate development business. Accordingly, the Group only has one reportable segment. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment.

Business segments

Revenue, operating results, assets and liabilities presented in the interim condensed interim condensed consolidated financial statements relates to the real estate development business of the Group.

Geographic segment

The Group is currently operating only in the UAE, hence the operating results, assets and liabilities presented in the interim condensed interim condensed consolidated financial statements relates to its operation in the UAE.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

4 REVENUE AND COST OF REVENUE

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue				
Sale of condominiums	7,562,302	5,389,409	2,729,268	1,656,495
Sale of villas	2,484,180	1,314,625	683,447	440,749
Sale of commercial units, plots of land and others	1,557,329	428,935	436,394	217,812
	<u>11,603,811</u>	<u>7,132,969</u>	<u>3,849,109</u>	<u>2,315,056</u>
Cost of revenue				
Cost of condominiums	5,292,919	3,777,948	1,904,816	1,245,947
Cost of villas	1,572,900	735,985	433,731	257,271
Cost of commercial units, plots of land and others	358,436	95,338	82,093	74,892
	<u>7,224,255</u>	<u>4,609,271</u>	<u>2,420,640</u>	<u>1,578,110</u>

Below is the split of revenue recognised over a period of time and single point in time:

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
- Over a period of time	10,334,972	6,884,066	3,546,740	2,151,549
- Single point in time	1,268,839	248,903	302,369	163,507
	<u>11,603,811</u>	<u>7,132,969</u>	<u>3,849,109</u>	<u>2,315,056</u>

5 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Sales and marketing expenses	578,300	335,566	184,781	104,585
Payroll and related expenses	109,133	124,868	35,061	42,406
Property management expenses	49,479	86,415	21,143	26,751
Depreciation (<i>including right-of use assets</i>)	9,914	15,883	2,586	3,523
Other expenses	499,790	283,907	149,608	116,855
	<u>1,246,616</u>	<u>846,639</u>	<u>393,179</u>	<u>294,120</u>

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

6(a) FINANCE INCOME

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>	<i>30 September 2021</i>	<i>30 September 2020</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Finance income on fixed and call deposits with banks	9,631	37,099	3,554	7,286
Other finance income	21,250	-	9,467	-
	<u>30,881</u>	<u>37,099</u>	<u>13,021</u>	<u>7,286</u>

6(b) FINANCE COST

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2021</i>	<i>30 September 2020</i>	<i>30 September 2021</i>	<i>30 September 2020</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Finance costs - bank and related party borrowings	72,084	119,099	22,986	26,657
Other finance costs	135,040	6,749	41,291	2,061
	<u>207,124</u>	<u>125,848</u>	<u>64,277</u>	<u>28,628</u>

7 BANK BALANCES AND CASH

	<i>30 September 2021</i>	<i>31 December 2020</i>
	<i>AED'000</i>	<i>AED'000</i>
		<i>(Audited)</i>
Cash in hand	990	993
Current and call bank deposit accounts	4,904,942	3,349,004
	<u>4,905,932</u>	<u>3,349,997</u>

As at 30 September 2021, cash and cash equivalents are AED 4,905,932 thousands (*31 December 2020: AED 3,307,800 thousands*) which is net of facilities availed from various commercial banks in the UAE and are repayable on demand.

Cash at banks earn interest at fixed rates based on prevailing bank deposit rates. Short-term fixed deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at 30 September 2021, an amount of AED 4,833,702 thousands (*31 December 2020: AED 3,278,834 thousands*) are with banks against advances received from customers on sale of development properties which are deposited into escrow accounts. These deposits/balances are not under lien.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

8 TRADE AND UNBILLED RECEIVABLES

	<i>30 September 2021 AED'000</i>	<i>31 December 2020 AED'000 (Audited)</i>
Trade receivables		
Amounts receivables within 12 months	<u>686,659</u>	<u>1,272,402</u>
Unbilled receivables		
Unbilled receivables within 12 months	<u>5,494,339</u>	<u>4,045,017</u>
Unbilled receivables after 12 months	<u>7,724,445</u>	<u>4,375,217</u>
	<u>13,218,784</u>	<u>8,420,234</u>
Total trade and unbilled receivables	<u>13,905,443</u>	<u>9,692,636</u>

The above trade receivables are net of AED 48,497 thousands (*31 December 2020: AED 48,497 thousands*) relating to provision for doubtful debts representing management's best estimate of loss based on expected credit loss model. All other receivables are considered fully recoverable.

9 OTHER ASSETS, RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>30 September 2021 AED'000</i>	<i>31 December 2020 AED'000 (Audited)</i>
Advances to contractors and others	551,727	661,377
Due from related parties (note 17)	3,616,112	3,235,173
Deferred sales commission (i)	773,766	621,241
Value added tax recoverable	69,385	104,579
Prepayments	6,971	7,182
Other receivables and deposits	<u>43,773</u>	<u>39,153</u>
	<u>5,061,734</u>	<u>4,668,705</u>
Other assets, receivables, deposits and prepayments maturity profile:		
Within 12 months	<u>3,194,734</u>	<u>2,997,705</u>
After 12 months	<u>1,867,000</u>	<u>1,671,000</u>
	<u>5,061,734</u>	<u>4,668,705</u>

(i) The deferred sales commission expense incurred to obtain or fulfil a contract with the customers is amortised over the period of satisfying performance obligations where applicable.

10 DEVELOPMENT PROPERTIES

	<i>30 September 2021 AED'000</i>	<i>31 December 2020 AED'000 (Audited)</i>
Balance at the beginning of the period/year	14,469,588	14,739,325
Add: Costs incurred during the period/year	4,999,933	5,825,355
Less: Costs transferred to cost of revenue during the period/year	(7,219,936)	(6,279,869)
Less: Transferred to Parent Company	-	184,777
	<u>12,249,585</u>	<u>14,469,588</u>

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

11 LOAN TO JOINT VENTURES

	<i>30 September 2021 AED'000</i>	<i>31 December 2020 AED'000 (Audited)</i>
Emaar Dubai South DWC LLC	857,390	861,359
Old Town Views LLC	113,888	113,889
	971,278	975,248

Loans to joint ventures are unsecured and are repayable as per the terms of the agreement and do not carry any interest.

12 INVESTMENT IN JOINT VENTURES

	<i>30 September 2021 AED'000</i>	<i>31 December 2020 AED'000 (Audited)</i>
Emaar Dubai South DWC LLC	271,231	197,943
Zabeel Square LLC	234,538	234,536
Old Town Views LLC	193,628	83,883
Net investment in joint ventures as at period/year end	699,397	516,362

The Group has the following effective ownership interest in its joint ventures:

	<i>Country of Incorporation</i>	<i>Ownership 2021</i>	<i>2020</i>
Emaar Dubai South DWC LLC	UAE	50.00%	50.00%
Zabeel Square LLC	UAE	50.00%	50.00%
Old Town Views LLC	UAE	61.25%	61.25%

13 TRADE AND OTHER PAYABLES

	<i>30 September 2021 AED'000</i>	<i>31 December 2020 AED'000 (Audited)</i>
Creditors for land purchase	2,887,705	3,564,953
Project contract cost accruals and provisions	3,809,266	3,135,962
Payable to related parties (note 17)	4,663,063	4,508,768
Trade payables (i)	789,655	928,247
Sales commission payable	234,323	120,583
Payable to authorities	247,720	182,537
Other payables and accruals	506,609	446,714
	13,138,341	12,887,764

(i) Trade payables include Supplier factoring facility of AED 148,872 *thousands* (31 December 2020: AED 42,533 *thousands*) under which its suppliers elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date.

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

14 INTEREST-BEARING LOANS AND BORROWINGS

During 2019, the Group had availed 5-year Revolving credit facility (“RCF facility”) of USD 1,000,000 thousands (AED 3,673,000 thousands). This RCF facility is unsecured and carries interest rate at 3 months LIBOR plus 1.25% per annum and is available until December 2022. This RCF facility carries certain financial covenants. As at 30 September 2021, the Group has drawn down USD 875,000 thousands (AED 3,213,865 thousands) from the RCF facility. This RCF facility is an interest-bearing loan and is presented in the interim condensed consolidated financial statement at AED 3,211,709 thousands (31 December 2020: AED 3,669,249 thousands) net of unamortised directly attributable transaction cost, payable after 12 months from the reporting date.

During the current period, the Group has availed short term facility of AED 600,000 thousands (31 December 2020: AED Nil) and is repayable in 2022. This facility carries interest of EIBOR plus 1% per annum and is secured by a corporate guarantee from the Parent Company. As at 30 September 2021, the Group has drawn down AED 600,000 thousands (31 December 2020: Nil) from the facility.

As at 30 September 2021, included under interest-bearing loans and borrowings is AED nil (31 December 2020: AED 42,197 thousands) which represents facilities obtained from various commercial banks in the UAE and is repayable on demand.

15 GUARANTEES AND CONTINGENCIES

The Group has provided a performance guarantee of AED 5,877,130 thousands (31 December 2020: AED 6,503,506 thousands) to the Real Estate Regulatory Authority (RERA), Dubai for its projects as per RERA regulations.

16 COMMITMENTS

At 30 September 2021, the Group had commitments of AED 5,051,577 thousands (31 December 2020: AED 6,434,085 thousands). This represents the value of contracts entered into by the Group including contracts entered into for purchase of plots of land at period/year end, net of invoices received and accruals made at that date.

Furthermore, in accordance with the Development Agreement entered by the Group with Mina Rashid, the Group has a commitment to pay 30% of future profits over the project life cycle of Mina Rashid Project.

There were certain claims submitted by contractors relating to various projects of the Group in the ordinary course of business from which it is anticipated that no material unprovided liabilities will arise.

17 RELATED PARTY DISCLOSURES

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the period, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	<i>Nine-month period ended</i>	
	<i>30 September 2021 AED'000</i>	<i>30 September 2020 AED'000</i>
Parent:		
Revenue (refer (ii) below)	239,780	167,176
Selling, general and administrative expenses (refer (i) below)	364,559	208,713
Finance cost (refer (iii) below)	30,411	48,879
Net funding movement (refer (iii) below)	-	(170,000)
Affiliated entities:		
Selling, general and administrative expenses	18,813	13,876
Property development expenses	26,806	39,853

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

17 RELATED PARTY DISCLOSURES (continued)

	<i>Nine-month period ended</i>	
	30 September 2021 AED'000	<i>30 September 2020 AED'000</i>
Directors, Key management personnel and their related parties:		
Selling, general and administrative expenses	244	412

Related party balances

Significant related party balances (and the interim condensed consolidated statement of financial position captions within which these are included) are as follows:

	30 September 2021 AED'000	<i>31 December 2020 AED'000 (Audited)</i>
Parent:		
Other assets, receivables, deposits and prepayments (refer (ii) below)	3,581,762	3,207,391
Trade and other payables (refer (iii) below)	4,624,970	4,475,696
Affiliated entities:		
Other assets, receivables, deposits and prepayments	34,350	27,782
Trade and other payables	38,093	33,072

(i) Allocation of corporate expenses:

The Parent Company has provided certain corporate functions to the Group and costs associated with these functions were allocated to the Group. These functions included human resources, treasury, investor relations, finance and accounting, compliance, information technology, corporate and legal compliance, business development and marketing. As per Relationship Agreement, corporate expenses are allocated by the Parent on the basis of 3% of revenue of the Group.

(ii) Recoverable from the Parent Company:

This mainly represents balances recoverable from the Parent with respect to the development costs incurred for the Build-to-sell (BTS) developments in Dubai Creek Harbour project. As agreed in the Master Transfer Agreement (MTA), the Parent has transferred the development services and profit relating to the BTS development in Dubai Creek Harbour project to the Company, for which the development costs including infrastructure costs are incurred by the Company. These balances will be recovered as per the agreed terms in the MTA.

(iii) Payable to the Parent Company:

Amount due to the Parent Company is unsecured and is repayable on demand. This includes AED 2,584,750 thousands (31 December 2020: AED 2,584,750 thousands) which carries interest rate at LIBOR plus 1.4% per annum. Also refer Note 13. The Group has total credit facility of USD 1,350,000 thousands (AED 4,958,550 thousands).

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	30 September 2021 AED'000	<i>30 September 2020 AED'000</i>
Short-term benefits	34,885	39,123
Employees' end-of-service benefits	1,512	1,303
	36,397	40,426

During the period, the number of key management personnel is 34 (30 September 2020: 41).

Emaar Development PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2021 (Unaudited)

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade and unbilled receivables, loans and advances, other receivables, deposits and due from related parties. Financial liabilities of the Group include interest-bearing loans and borrowings, customer deposits, accounts payable, retentions payable, payable to related parties and other payables.

Fair value of the financial instruments is included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the financial assets and liabilities approximate same as their carrying values.