

# **Reem Investments PJSC**

## **REPORT OF THE BOARD OF DIRECTORS' AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2020**

# **Reem Investments PJSC**

REPORT OF THE BOARD OF DIRECTORS'

FOR THE PERIOD ENDED 30 JUNE 2020

## REPORT OF THE BOARD OF DIRECTORS

For the six month period ended 30 June 2020

The Directors have pleasure in submitting their report together with the interim reviewed condensed consolidated financial statements for the six month period ended 30 June 2020.

### *Principal activities*

The principal activities of Reem Investments PJSC and its subsidiaries (together referred to as the "Company") include real estate development, sale and investment in real estate and securities in UAE and abroad.

### *Results and operations*

The Gross Profit from real estate activities for the six month period ended 30 June 2020 amounted to AED 7,643 thousand.

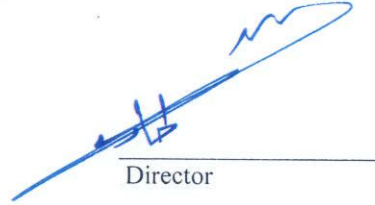
The Company reported AED 388,895 thousand as a net loss on financial investment and other income for the six month period ended 30 June 2020 which includes loss on fair value on its financial investments of AED 505,481 thousand due to prevalent market conditions. However, excluding the above fair value loss, the actual contribution from financial investment and other income is AED 116,586 thousand.

The loss reported by the Company for the six month period ended 30 June 2020 is AED 390,482 thousand.

Signed on behalf of the Board of Directors



Managing Director



Director

6 August 2020  
Abu Dhabi

# **Reem Investments PJSC**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2020**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF REEM INVESTMENTS PJSC**

### *Introduction*


We have reviewed the accompanying interim condensed consolidated financial statements of Reem Investments PJSC and its subsidiaries (the “Company”) as at 30 June 2020, comprising of the interim consolidated statement of financial position as at 30 June 2020, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34.



Signed by:  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No 811

6 August 2020  
Abu Dhabi

## Reem Investments PJSC

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2020 (unaudited)

	<i>Notes</i>	<i>Six months ended 30 June 2020 AED '000</i>	<i>Six months ended 30 June 2019 AED '000</i>
Rental income	3	9,001	8,809
Direct costs		<u>(1,358)</u>	<u>(1,164)</u>
<b>GROSS PROFIT</b>		<b>7,643</b>	<b>7,645</b>
Net (loss) gain on financial investments	4	(501,459)	97,676
Impairment loss on financial investments	8	(2,899)	(11,322)
Dividend income		99,613	103,033
Interest and other income		<u>15,850</u>	<u>21,804</u>
		<u>(381,252)</u>	<u>218,836</u>
Administrative expenses		<u>(9,230)</u>	<u>(7,561)</u>
<b>(LOSS) PROFIT AND TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b><u>(390,482)</u></b>	<b><u>211,275</u></b>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE (AED)</b>	17	<b><u>(5.02)</u></b>	<b><u>2.72</u></b>

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

# Reem Investments PJSC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Completed investment properties	5	334,613	334,613
Investment properties under development	6	786,305	686,496
Development properties	7	18,123	603,816
Financial investments	8	1,928,106	2,396,584
Investment in an associate	9	-	-
Property and equipment		11,589	11,924
Accounts receivable and prepayments	10	<u>370,626</u>	<u>370,626</u>
		<u>3,449,362</u>	<u>4,404,059</u>
<b>Current assets</b>			
Accounts receivable and prepayments	10	111,744	105,737
Development properties	7	616,392	-
Inventory properties	11	713,893	713,180
Bank balances and cash	12	<u>704,177</u>	<u>820,361</u>
		<u>2,146,206</u>	<u>1,639,278</u>
<b>TOTAL ASSETS</b>		<u><b>5,595,568</b></u>	<u><b>6,043,337</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	777,500	777,500
Statutory reserve		388,750	388,750
Retained earnings		4,057,239	4,447,721
Proposed dividends		<u>-</u>	<u>108,850</u>
		<u>5,223,489</u>	<u>5,722,821</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		1,847	1,729
Term loans	14	<u>143,094</u>	<u>94,345</u>
		<u>144,941</u>	<u>96,074</u>
<b>Current liabilities</b>			
Term loans	14	8,200	20,700
Accounts payable and accruals	15	207,229	192,033
Advances received from customers		<u>11,709</u>	<u>11,709</u>
		<u>227,138</u>	<u>224,442</u>
<b>Total liabilities</b>		<u>372,079</u>	<u>320,516</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,595,568</b></u>	<u><b>6,043,337</b></u>



MANAGING DIRECTOR



DIRECTOR

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

# Reem Investments PJSC

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2020 (unaudited)

	<i>Notes</i>	<i>Six months ended 30 June 2020 AED '000</i>	<i>Six months ended 30 June 2019 AED '000</i>
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the period		<b>(390,482)</b>	211,275
Adjustments for:			
Depreciation		335	317
Net loss (gain) on financial investments	4	<b>501,459</b>	(97,676)
Amortization of bonds		(265)	(941)
Dividend income		<b>(99,613)</b>	(103,033)
Interest income		<b>(13,692)</b>	(17,326)
Impairment loss on financial investments	8	<b>2,899</b>	11,322
Provision for employees' end of service benefits		<u>118</u>	<u>126</u>
Operating cash flow before working capital changes		<b>759</b>	4,064
Working capital changes:			
Accounts receivable and prepayments		<b>2,600</b>	(31,021)
Accounts payable and accruals		<b>15,289</b>	12,745
Inventory properties		<u>(713)</u>	<u>(1,823)</u>
Net cash flows from (used) in operating activities		<u><b>17,935</b></u>	<u>(16,035)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial investments		<b>(88,796)</b>	(62,884)
Proceeds from sale of financial investments		<b>53,088</b>	156,697
Bank time deposits with original maturities in excess of three months		<b>61,169</b>	66,287
Increase in development properties, net		<b>(30,699)</b>	(972)
Increase in investment properties under development		<b>(97,453)</b>	(74,168)
Interest income received		<b>5,085</b>	7,840
Dividend income received		<u><b>99,613</b></u>	<u>103,033</u>
Net cash flows from investing activities		<u><b>2,007</b></u>	<u>195,833</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		<b>(108,850)</b>	(108,850)
Bank borrowings, net		<u><b>33,893</b></u>	<u>24,220</u>
Net cash flows used in financing activities		<u><b>(74,957)</b></u>	<u>(84,630)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(55,015)</b>	95,168
Cash and cash equivalents at 1 January		<u><b>225,787</b></u>	<u>89,612</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	12	<u><b>170,772</b></u>	<u>184,780</u>

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.



## Reem Investments PJSC

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2020

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Proposed dividends AED '000</i>	<i>Total Equity AED '000</i>
Balance at 1 January 2019 (audited)	777,500	388,750	4,317,477	108,850	5,592,577
Total comprehensive income for the period	-	-	211,275	-	211,275
Dividends paid (note 13)	-	-	-	(108,850)	(108,850)
Balance at 30 June 2019 (unaudited)	<u>777,500</u>	<u>388,750</u>	<u>4,528,752</u>	-	<u>5,695,002</u>
Balance at 1 January 2020 (audited)	777,500	388,750	4,447,721	108,850	5,722,821
Total comprehensive loss for the period	-	-	(390,482)	-	(390,482)
Dividends paid (note 13)	-	-	-	(108,850)	(108,850)
Balance at 30 June 2020 (unaudited)	<u>777,500</u>	<u>388,750</u>	<u>4,057,239</u>	-	<u>5,223,489</u>

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

# Reem Investments PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

### 1 ACTIVITIES

Reem Investments PJSC (“Reem”) is a private joint stock company incorporated in Abu Dhabi, United Arab Emirates on 29 May 2005 under the UAE Federal Law No (8) of 1984 as amended. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the Federal Law No. 8 of 1984.

On 30 September 2018, Reem has listed its ordinary shares on the secondary market of Abu Dhabi Securities Exchange (ADX).

The principal activities of Reem and its subsidiaries (together referred to as the “Company”) include real estate development and sale and investment in real estate and securities in UAE and abroad. The registered address of the Company is P O Box 37646, Abu Dhabi, United Arab Emirates.

The interim condensed consolidated financial statements for the period ended 30 June 2020 were authorized for issue by the Board of Directors on 6 August 2020.

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, ‘*Interim Financial Reporting*’.

The interim condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and therefore should be read in conjunction with the annual audited consolidated financial statements of the Company as at and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results expected for the financial year ending 31 December 2020.

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for financial investments and completed\*investment properties which have been measured at fair value.

These interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (“AED”) rounded to the nearest thousand except when otherwise indicated, which is the Company’s functional currency.

#### Basis of consolidation

The interim condensed consolidated financial statements comprise the interim condensed consolidated financial statements of the Company and its following subsidiaries:

Subsidiary Name	incorporation	Country of	Percentage holding	
			2020	2019
Reem Developers – Sole Proprietorship LLC	Real estate development	United Arab Emirates	100%	100%
Reem for Energy Investment Services – Sole Proprietorship LLC	Oil and gas projects	United Arab Emirates	100%	100%
Reem Investment Overseas Limited	Investment holding	Mauritius	100%	100%

Reem Developers LLC was established on 29 May 2006 and its principal activities are the investment in and establishing and managing real estate, commercial and industrial projects.

## 2.1 BASIS OF PREPARATION continued

### Basis of consolidation continued

Reem for Energy Investment Services LLC was established on 23 January 2007 and its principal activities are the investment in and establishing and managing power and industrial projects. It commenced its effective commercial operations during 2015.

Reem Investment Overseas Limited was established on 14 December 2006 and its principal activities was holding of investments. The company is in liquidation process with regulatory authorities of Mauritius.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The Company exercises control over all of the subsidiaries listed above.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2019, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to references to the conceptual framework in IFRS standards;
- Amendments to IFRS 3 regarding to definition of a business;
- Amendments to IAS 1 and IAS 8 regarding definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 regarding interest rate benchmark reform; and
- Amendments to IFRS 16 relating to Covid-19-Related Rent Concessions

The Company has applied the new standards, interpretations and amendments effective as of 1 January 2020 and concluded that these do not have an impact on the interim condensed consolidated financial statements of the Company.

## 2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards requires management to make judgment, estimates and assumptions that affect the application of accounting policies and reported amounts of financial and other assets and liabilities and the disclosure of commitments. These judgments, estimates and assumptions also affect the revenues, expenses and provisions as well as fair value changes. Actual results may differ from these estimates.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial periods. Estimates and judgments are currently evaluated and are based on historical experience and other factors.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019.

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

# Reem Investments PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

### 2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS continued

#### Key sources of estimation uncertainty

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

### 3 REVENUES

#### 3.1 Type of revenue

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>30 June 2019 AED '000 (Unaudited)</i>
Rental income	<u>9,001</u>	<u>8,809</u>

#### 3.2 Timing of revenue recognition

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>30 June 2019 AED '000 (Unaudited)</i>
Services transferred over time	<u>9,001</u>	<u>8,809</u>
<b>Geographical markets</b>		
Revenue generated within UAE	<u>9,001</u>	<u>8,809</u>

### 4 NET (LOSS) GAIN ON FINANCIAL INVESTMENTS

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>30 June 2019 AED '000 (Unaudited)</i>
Unrealised (loss) gain on change in fair value of financial investments at FVTPL	(505,481)	89,514
Realised gain on sale of financial investments	<u>4,022</u>	<u>8,162</u>
	<u>(501,459)</u>	<u>97,676</u>

## Reem Investments PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

#### 5 COMPLETED INVESTMENT PROPERTIES

	<b>30 June 2020 AED'000 (Unaudited)</b>	<b>31 December 2019 AED'000 (Audited)</b>
Balance at 1 January	<b>334,613</b>	246,592
Transferred from investment properties under development (note 6)	-	113,536
Transferred to inventory properties (note 11)	-	(35,521)
Gain on revaluation of investment property, net	-	10,006
Balance at 30 June / 31 December	<u><b>334,613</b></u>	<u>334,613</u>

Completed investment properties are categorised into level 3 of the fair value hierarchy based on the inputs to the valuation technique accepted by the Royal Institute of Chartered Surveyors. The valuation, as of 30 June 2020 has been determined by management by reference to the valuation carried out on 31 December 2019, performed by accredited independent appraisers. In estimating the fair value, the current use of the property was deemed to be its highest and best use.

During 2019, transfer from investment properties under development represents a residential building in Rawdhat completed during the prior year.

During 2019, transfer to inventory properties represents a school plot, the lease agreement of which was terminated during the prior year.

Fair value measurement hierarchy for completed investment properties as at 30 June 2020 and 31 December 2019:

	<i>Date of valuation</i>	<i>Total AED'000</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
<b>2020 (unaudited)</b>					
<b>Residential &amp; commercial properties</b>	<b>31 December 2019</b>	<b>334,613</b>	-	<b>38,631</b>	<b>295,982</b>
<b>2019 (audited)</b>					
Residential & commercial properties	31 December 2019	334,613	-	38,631	295,982

During the period ended 30 June 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and transfers into and out of Level 3 fair value measurements are mentioned above.

#### 6 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2020 AED'000 (Unaudited)</b>	<b>31 December 2019 AED'000 (Audited)</b>
Balance at 1 January	<b>686,496</b>	651,646
Transferred from development properties (note 7)	-	3,217
Transferred from inventory properties (note 11)	-	28,877
Additions during the period / year	<b>97,453</b>	112,665
Transferred to completed investment properties (note 5)	-	(113,536)
Finance costs capitalized	<u><b>2,356</b></u>	<u>3,627</u>
Balance at 30 June / 31 December	<u><b>786,305</b></u>	<u>686,496</u>

## Reem Investments PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

#### 6 INVESTMENT PROPERTIES UNDER DEVELOPMENT continued

During 2019, the Company transferred one plot of land from inventories to investment properties under development due to change in use.

During 2019, the Company transferred a completed residential building in Rawdhat to completed investment properties.

Investment properties under development amounting to AED 475,138 thousand (31 December 2019: AED 410,564 thousand) are pledged against loans and borrowings (note 14) obtained by the Company to finance the construction of the mortgaged plots.

Investments in these plots have been kept at cost as fair value of the plots under construction is not reliably measurable.

#### 7 DEVELOPMENT PROPERTIES

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balance at 1 January	603,816	578,796
Transferred to investment properties under development (note 6)	-	(3,217)
Development expenditure	<u>30,699</u>	<u>28,237</u>
Balance at 30 June / 31 December	<u>634,515</u>	<u>603,816</u>

Development properties represents land on which infrastructure, landscaping and construction works is in progress. During 2019, transfer to investment properties under development was made owing to evident change of use of the transferred plot.

Development properties comprise of the following:

	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Land	557,042	557,042
Development expenditure	<u>77,473</u>	<u>46,774</u>
Balance at 30 June / 31 December	<u>634,515</u>	<u>603,816</u>

Development properties are presented in the statement of financial position as follows:

	<i>2020 AED'000 (Unaudited)</i>	<i>2019 AED'000 (Audited)</i>
Non-current portion	18,123	603,816
Current portion	<u>616,392</u>	<u>-</u>
	<u>634,515</u>	<u>603,816</u>

# Reem Investments PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

### 8 FINANCIAL INVESTMENTS

	<b>30 June 2020 AED '000 (Unaudited)</b>	<b>31 December 2019 AED '000 (Audited)</b>
<b><i>Investments at fair value through profit or loss</i></b>		
Investments in quoted equities	1,560,217	2,022,836
Investments in unquoted equities	88,444	96,646
Investment in managed funds	<u>115,336</u>	<u>120,851</u>
	<b><u>1,763,997</u></b>	<b><u>2,240,333</u></b>
<b><i>Investments at amortised cost</i></b>		
Bonds	<u>164,109</u>	<u>156,251</u>
Total	<b><u>1,928,106</u></b>	<b><u>2,396,584</u></b>

Investments in managed funds represent investments made in funds which invest in equities, debt securities and derivatives with the objective of generating superior returns on a risk-adjusted basis using a diversified portfolio approach.

	<i>Stage 1 12 month ECL AED '000</i>	<i>Stage 2 lifetime ECL not credit impaired AED '000</i>	<i>Stage 3 lifetime ECL credit impaired AED '000</i>	<i>Total AED '000</i>
<b><i>30 June 2020 (unaudited)</i></b>				
<b><i>Investments at amortised cost</i></b>				
Gross investments - Bonds	<u>53,505</u>	<u>-</u>	<u>203,618</u>	<u>257,123</u>
<b><i>Expected credit losses</i></b>				
At 1 January	169	-	89,946	90,115
Charge for the period, net	<u>86</u>	<u>-</u>	<u>2,813</u>	<u>2,899</u>
At 30 June	<u>255</u>	<u>-</u>	<u>92,759</u>	<u>93,014</u>
Net of impairment – bonds (Unaudited)	<u>53,250</u>	<u>-</u>	<u>110,859</u>	<u>164,109</u>
<b><i>31 December 2019 (audited)</i></b>				
<b><i>Investments at amortised cost</i></b>				
Gross investments - Bonds	<u>46,299</u>	<u>-</u>	<u>200,067</u>	<u>246,366</u>
<b><i>Expected credit losses</i></b>				
At 1 January	733	-	78,060	78,793
Charge for the year, net	<u>(564)</u>	<u>-</u>	<u>11,886</u>	<u>11,322</u>
At 31 December	<u>169</u>	<u>-</u>	<u>89,946</u>	<u>90,115</u>
Net of impairment – bonds (audited)	<u>46,130</u>	<u>-</u>	<u>110,121</u>	<u>156,251</u>

## Reem Investments PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

#### 8 FINANCIAL INVESTMENTS continued

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

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>fair value</i> <i>AED '000</i>
<b>30 June 2020 (unaudited)</b>				
Investment in quoted securities	1,560,217	-	-	1,560,217
Investment in unquoted equities	-		88,444	88,444
Investment in managed funds	-	115,336	-	115,336
	<u>1,560,217</u>	<u>115,336</u>	<u>88,444</u>	<u>1,763,997</u>
<b>31 December 2019 (audited)</b>				
Investment in quoted equities	2,022,836	-	-	2,022,836
Investment in unquoted equities	-	-	96,646	96,646
Investment in managed funds	-	120,851	-	120,851
	<u>2,022,836</u>	<u>120,851</u>	<u>96,646</u>	<u>2,240,333</u>

During the six-month period ended 30 June 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

#### 9 INVESTMENT IN AN ASSOCIATE

Associate comprise the following:

	<i>Country of incorporation</i>	<i>Percentage of holding 2020</i>	<i>2019</i>
Bunya Enterprises LLC	United Arab Emirates	33%	33%

Bunya Enterprises LLC ("Bunya") is a limited liability company incorporated in the Emirate of Abu Dhabi and is engaged in consultancy and management of civil works and development of properties.

Bunya is established by the three master developers of Al Reem Island to act as the municipal and regulatory authority and to be responsible for the provision of all the infrastructure of regional roads, bridges and other community services on Al Reem Island. Owing to that, the Company contributed an amount of AED 180,450 thousand at the time of establishment along with investment in share capital that constituted 33% equity interest.

During 2009, the Government of Abu Dhabi represented by Abu Dhabi Urban Planning Council (ADUPC) has taken responsibility of funding the operations of Bunya. The shareholders in Bunya will no more contribute any cash towards the operations of Bunya.

As at 31 December 2019, current account in the books of Bunya amount to AED 72,626 thousand (2018: AED 67,562 thousand). Amounts recoverable from Bunya amounts to AED 107,824 thousand (2018: AED 112,888 thousand). The Company has not recorded any receivable in its books since these are recoverable only on the completion of the Reem Island infrastructure project and subject to direction of relevant government authority. The amount contributed by the Company toward working capital of Bunya has already been included as part of the infrastructure cost incurred by the Company on it properties development.

In addition, the Company has already recognised in prior years its share of Bunya general and administrative expenses and accordingly its investment in Bunya is already been eroded. Accordingly, The Company is not recognizing any additional share of Bunya losses in 2020 (2019: nil).



# Reem Investments PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

### 10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts receivable and prepayments have been classified in the interim consolidated statement of financial position as follows:

	<b>30 June 2020 AED '000 (Unaudited)</b>	<b>31 December 2019 AED '000 (Audited)</b>
<i>Non-current:</i>		
Accrued income relating to sale of land	<u><b>370,626</b></u>	<u>370,626</u>
<i>Current:</i>		
Advance made to contractors	<b>61,202</b>	50,336
Interest receivable	<b>32,053</b>	23,112
Receivable on sale of financial investments	<b>3,246</b>	3,246
VAT refund receivables	<b>4,157</b>	20,260
Community service charges receivables	<b>9,111</b>	7,781
Prepayments and other receivables	<u><b>1,975</b></u>	<u>1,002</u>
	<u><b>111,744</b></u>	<u>105,737</u>

As at 30 June 2020, the analysis of accrued income relating to sale of land is as follows:

	<i>Total AED'000</i>	<i>0 – 180 days AED'000</i>	<i>181 – 365 days AED'000</i>	<i>&gt; 365 days AED'000</i>
<b>30 June 2020 (unaudited)</b>				
Expected credit loss rate		0%	0%	13.6 %
Estimated total gross carrying amount at default	<b>432,360</b>	-	-	<b>432,360</b>
Expected credit loss	<u><b>(61,734)</b></u>	<u>-</u>	<u>-</u>	<u><b>(61,734)</b></u>
Carrying value	<u><b>370,626</b></u>	<u>-</u>	<u>-</u>	<u><b>370,626</b></u>
<b>31 December 2019 (audited)</b>				
Expected credit loss rate		0%	0%	13.6 %
Estimated total gross carrying amount at default	432,360	-	-	432,360
Expected credit loss	<u>(61,734)</u>	<u>-</u>	<u>-</u>	<u>(61,734)</u>
Carrying value	<u>370,626</u>	<u>-</u>	<u>-</u>	<u>370,626</u>

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Company retains legal title over the land until the buyer remits the full balance of the sale and therefore, management considers the related account balance as fully collateralised.

# Reem Investments PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

### 11 INVENTORY PROPERTIES

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
<i>Completed properties:</i>		
At 1 January	713,180	741,839
Transferred from completed investment properties (note 5)	-	35,521
Transferred to investment properties under development (note 6)	-	(28,877)
Impairment on inventory properties	-	(37,616)
Additions	<u>713</u>	<u>2,313</u>
Balance at 30 June	<u><b>713,893</b></u>	<u><b>713,180</b></u>

During 2019, transfer from completed investment properties represents a school plot, the lease agreement of which was terminated during the prior year.

During 2019, transfer to investment properties under development relate to a plot under construction in Najmat which will be used as investment property in future.

### 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the interim consolidated statement of cash flows consist of the following:

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>30 June 2019 AED '000 (Unaudited)</i>
Bank balances and cash	704,312	784,192
Allowance for expected credit losses	<u>(135)</u>	<u>(146)</u>
	704,177	784,046
Less: bank time deposits with original maturities in excess of three months	<u>(533,405)</u>	<u>(599,266)</u>
	<u><b>170,772</b></u>	<u><b>184,780</b></u>

Bank balances include term deposits of AED 533,405 thousand (2019: AED 599,266 thousand) with a local commercial bank. These are denominated in UAE Dirhams, short term in nature, with an effective interest rate of 3.3% (2019: 0.7% to 3.3%).

Bank balances including term deposits have been tested for impairment under ECL model. Allowance for credit losses amounted to AED 135 thousand (2019: AED 146 thousand).

## Reem Investments PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

#### 13 SHARE CAPITAL

	<i>Authorised, issued and fully paid</i>	
	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
77,750,000 (2019: 77,750,000) ordinary shares of AED 10 each	<u>777,500</u>	<u>777,500</u>

On 30 March 2020, the Group held its Annual General Meeting which, among other things, approved dividends amounting to AED 108,850 thousand representing AED 1.40 per share relating to period ended 31 December 2019 (2019: dividends of AED 108,850 thousand representing AED 1.40 per share relating to year ended 31 December 2018).

#### 14 TERM LOANS

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
	Term Loan (i)	<b>81,693</b>
Term Loan (ii)	<b>52,573</b>	37,640
Term Loan (iii)	<u>17,028</u>	<u>6,222</u>
	<u><b>151,294</b></u>	<u>115,045</u>

- (i) In 2017, the Company availed a term loan facility of AED 173 million from a local bank to finance construction of a residential building on plot No. C106 – 107, Rawdhat. The loan bears interest of 6 Month EIBOR plus 2.50% per annum and was repayable in 8 equal semi-annual instalments commencing on 31 December 2020 with the remaining balance to be paid as a final instalment on 30 June 2024. On 9 June 2020, the bank extended the facility which is repayable in 8 equal semi-annual instalments commencing on 31 October 2021 with the remaining balance to be paid as a final instalment on 30 April 2025. The loan is mainly secured by a first degree registered mortgage over the property to be constructed (Land & Building on plot No. C106 - 107). The drawn down loan and accrued interest as at 30 June 2020 amounted to AED 81,693 thousand (31 December 2019: AED 71,183 thousand).
- (ii) In 2018, the Company availed a term loan facility of AED 116.35 million from a local bank to finance construction of project C19-RR02, Najmat. The loan bears interest of 6 Month EIBOR plus 2.50% per annum and was repayable in 16 equal semi-annual instalments commencing on 31 October 2020 with the remaining balance to be paid as a final instalment on 31 January 2028. On 13 May 2020, the bank extended the facility which is repayable in 16 semi-annual instalments commencing on 31 May 2021 with the remaining balance to be paid as a final instalment on 31 August 2028. The loan is mainly secured by a first degree registered mortgage over the property to be constructed (Land & Building on plot No. C19-RR02, Najmat). The drawn down loan and accrued interest as at 30 June 2020 amounted to AED 52,573 thousand (31 December 2019: AED 37,640 thousand).
- (iii) In 2019, the Company has availed a term loan facility of AED 102 million from a local bank to finance construction of project C2-RR05, Najmat. The loan bears interest of 6 Month EIBOR plus 2.50% per annum and is repayable in 15 equal semi-annual instalments commencing on 2 May 2022 with the remaining balance to be paid as a final instalment on 2 May 2029. The loan is mainly secured by a first degree registered mortgage over the property to be constructed (Land & Building on plot No. C2-RR05, Najmat). The drawn down loan as at 30 June 2020 amounted to AED 17,028 thousand (31 December 2019: AED 6,222).

## Reem Investments PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

#### 14 TERM LOANS continued

Term loans are presented in the statement of financial position as follows:

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
Current Loan	8,200	20,700
Non- Current Loan	<u>143,094</u>	<u>94,345</u>
	<u>151,294</u>	<u>115,045</u>

#### 15 ACCOUNTS PAYABLE AND ACCRUALS

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
Trade and other payables	71,799	61,948
Other liabilities and accruals	<u>135,430</u>	<u>130,085</u>
	<u>207,229</u>	<u>192,033</u>

#### 16 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Significant transactions with related parties:

Bank balances amounting to AED 615,454 thousand as at 30 June 2020 (31 December 2019: AED 710,493 thousand) are held with a related party. Term loans amounting to AED 151,294 thousand as at 30 June 2020 (31 December 2019: AED 115,045 thousand) are obtained from a related party.

##### Compensation of key management personnel

The fees for directors and other members of key management during the period were as follows:

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>30 June 2019 AED '000 (Audited)</i>
Short term benefits	1,273	1,298
Other benefits	<u>47</u>	<u>47</u>
	<u>1,320</u>	<u>1,345</u>

## Reem Investments PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

#### 17 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period as follows:

	<i>30 June 2020 000 (Unaudited)</i>	<i>30 June 2019 000 (Unaudited)</i>
Net (loss) profit for the period (AED)	<u>(390,482)</u>	<u>211,275</u>
Ordinary shares in issue throughout the period	<u>77,750</u>	<u>77,750</u>
Basic and diluted (loss) earnings per share (AED)	<u>(5.02)</u>	<u>2.72</u>

#### 18 COMMITMENTS

Expenditure commitments comprise of the following:

	<i>30 June 2020 AED '000 (Unaudited)</i>	<i>31 December 2019 AED '000 (Audited)</i>
Commitments for capital expenditures on properties under development	<u>274,656</u>	<u>207,709</u>
Investment commitments	<u>20,872</u>	<u>34,114</u>

#### 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets include investments, account receivables and certain other assets, and bank balances. Financial liabilities include term loans, accounts payables and certain other liabilities.

All financial assets, except financial assets at amortised cost, are measured at fair value. Financial liabilities approximate their carrying amounts.

# Reem Investments PJSC

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2020

### 20 SEGMENT INFORMATION

#### Primary segment information

For operating purposes, the Company is organised into two main business segments:

- Real estate segment, including real estate development, investment in and establishing and managing real estate, commercial and industrial projects. This business is fully conducted within UAE.
- Investments segment, incorporating investments in equity securities, managed funds, bonds and short-term investments with banks and other securities within UAE and abroad.

Information regarding the Company's reportable segments is presented below:

#### Segment revenue and results

	30 June 2020 (unaudited)			30 June 2019 (unaudited)		
	Real estate AED'000	Investments AED'000	Total AED'000	Real estate AED'000	Investments AED'000	Total AED'000
Direct revenue	9,001	(390,787)	(381,786)	8,809	207,654	216,463
Direct costs	(1,358)	-	(1,358)	(1,164)	-	(1,164)
Other revenue	1,892	-	1,892	3,537	-	3,537
Administrative expenses	(633)	(85)	(718)	(997)	(72)	(1,069)
<b>Segment results</b>	<b>8,902</b>	<b>(390,872)</b>	<b>(381,970)</b>	<b>10,185</b>	<b>207,582</b>	<b>217,767</b>
Unallocated expenses			(8,512)			(6,492)
<b>Net (loss) profit for the period</b>			<b>(390,482)</b>			<b>211,275</b>

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period (2019: AED nil).

#### Segment assets and liabilities

	30 June 2020 (unaudited)			31 December 2019 (audited)		
	Real estate AED'000	Investments AED'000	Total AED'000	Real estate AED'000	Investments AED'000	Total AED'000
<b>Segment assets</b>	<b>2,950,425</b>	<b>1,963,076</b>	<b>4,913,501</b>	<b>2,791,180</b>	<b>2,419,678</b>	<b>5,210,858</b>
Unallocated assets			719,402			832,479
<b>Total assets</b>			<b>5,632,903</b>			<b>6,043,337</b>
<b>Segment liabilities</b>	<b>331,343</b>	<b>26,050</b>	<b>357,393</b>	<b>280,128</b>	<b>26,050</b>	<b>306,178</b>
Unallocated liabilities			14,686			14,338
<b>Total liabilities</b>			<b>372,079</b>			<b>320,516</b>
<b>Capital commitments</b>	<b>274,656</b>	<b>20,872</b>	<b>295,528</b>	<b>207,709</b>	<b>34,114</b>	<b>241,823</b>