

**Gulf General Investments Co. (P.S.C)
and its subsidiaries**

Condensed consolidated interim financial
information (unaudited)

For the nine months period ended 30 September 2020

Gulf General Investments Co. (P.S.C) and its subsidiaries
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**Review report of the independent auditor
To the Shareholders of Gulf General Investments Co. (P.S.C)**

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Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Gulf General Investments Co. (P.S.C) (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2020, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these consolidated condensed interim 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 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.

Basis of Qualified Conclusion

During the period, interest on borrowings of the Group aggregates to an amount of AED 90.8 million. This interest cost has not been recorded in the condensed consolidated interim financial statements since 1 January 2020. Had this interest been recognised in the condensed consolidated interim financial statements for the period, the Group’s finance costs and loss for the period would have increased by AED 90.8 million and the accumulated losses, net current liabilities and total liabilities of the Group would have increased by AED 90.8 million.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.



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**Review report of the independent auditor
To the Shareholders of Gulf General Investments Co. (P.S.C) (continued)**

Emphasis of matter

We draw attention to notes 5 and 17 of the condensed consolidated interim financial information which explains that the Group is in the process of negotiation with the lenders to restructure certain existing loan and credit facilities to meet its commitments and financial obligations as they fall due in the foreseeable future. Our review conclusion is not modified in respect of this matter.

Grant Thornton

GRANT THORNTON

Farouk Mohamed

Registration No: 86

Dubai: 11 November 2020



Gulf General Investments Co. (P.S.C) and its subsidiaries
Condensed consolidated statement of financial position
As at 30 September 2020

		30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
	Notes		
Assets			
Non-current assets			
Property, plant and equipment		408,955	408,758
Investment properties	6	2,531,858	2,504,716
Goodwill		11,500	11,500
Investments in associates	7	301,509	315,923
Investments in securities	8	58,111	57,577
Trade and other receivables	11	57,654	74,690
		<u>3,369,587</u>	<u>3,373,164</u>
Current assets			
Properties held for development and sale	9	304,672	301,436
Inventories	10	32,872	32,956
Due from related parties	16	77,402	83,503
Trade and other receivables	11	665,453	662,696
Re-insurance contract assets	12	238,017	116,314
Investments in securities	8	95,233	100,362
Cash in hand and at bank	13	291,185	259,587
		<u>1,704,834</u>	<u>1,556,854</u>
Total assets		<u>5,074,421</u>	<u>4,930,018</u>

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial information.

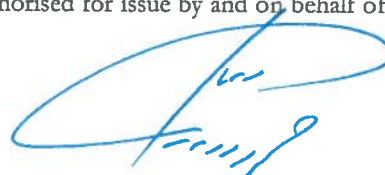
Gulf General Investments Co. (P.S.C) and its subsidiaries
Condensed consolidated statement of financial position (continued)
As at 30 September 2020

		30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
	Notes		
Equity and liabilities			
Equity			
Share capital	14	1,791,333	1,791,333
Legal reserve		49,645	49,645
Additional reserve		7,068	7,068
Land revaluation reserve		37,747	37,747
Cumulative change in fair value of investments measured at fair value through other comprehensive income		(43,678)	(44,212)
Accumulated losses		<u>(1,723,944)</u>	<u>(1,698,126)</u>
Equity attributable to owners of the Company		118,171	143,455
Non-controlling interests		<u>246,641</u>	<u>241,344</u>
Total equity		<u>364,812</u>	<u>384,799</u>
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits		<u>25,996</u>	<u>27,648</u>
Current liabilities			
Due to related parties	16	418,312	431,307
Insurance contract liabilities	12	478,574	333,591
Short term borrowings	17	2,349,512	2,370,494
Trade and other payables		1,431,113	1,371,828
Lease liabilities		6,102	10,351
		<u>4,683,613</u>	<u>4,517,571</u>
Total liabilities		<u>4,709,609</u>	<u>4,545,219</u>
Total equity and liabilities		<u>5,074,421</u>	<u>4,930,018</u>

The condensed consolidated interim financial information was authorised for issue by and on behalf of the Board of Directors on 11 November 2020



Abdalla Juma Majid Al Sari
Chairman



Hamad Saif Hamad Almheiri
Director

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial information.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Condensed consolidated income statement (unaudited)
For the nine months period ended 30 September 2020

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2020	2019	2020	2019
		AED '000 (Unaudited)	AED '000 (Unaudited)	AED '000 (Unaudited)	AED '000 (Unaudited)
Revenue		95,772	100,169	316,225	334,163
Cost of revenue		<u>(73,191)</u>	<u>(63,374)</u>	<u>(211,159)</u>	<u>(208,614)</u>
Gross profit		22,581	36,795	105,066	125,549
Administrative and general expenses	18	(27,758)	(30,403)	(85,511)	(108,349)
Selling and distribution expenses		(937)	(371)	(3,399)	(5,501)
Other income		637	2,471	3,406	6,526
Share of profit/(loss) in associates	7	4,773	(494)	(13,443)	1,841
Change in fair value of investments in securities – net	8	(407)	(1,458)	(4,640)	(1,974)
(Loss)/gain on sale of investments in securities		-	-	(20)	83
Finance cost		(7,269)	(40,806)	(23,343)	(115,180)
Finance income		1,158	1,868	4,422	5,480
Loss for the period		<u>(7,222)</u>	<u>(32,398)</u>	<u>(17,462)</u>	<u>(91,525)</u>
<i>(Loss)/profit attributable to:</i>					
Owners of the Company		(7,496)	(35,791)	(24,103)	(104,095)
Non-controlling interests		274	3,393	6,641	12,570
		<u>(7,222)</u>	<u>(32,398)</u>	<u>(17,462)</u>	<u>(91,525)</u>
Loss per share - Basic (AED fils per share)	20	<u>(0.42)</u>	<u>(2.00)</u>	<u>(1.35)</u>	<u>(5.81)</u>

The accompanying notes 1 to 23 are an integral part of the condensed consolidated interim financial information.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Condensed consolidated statement of other comprehensive income (unaudited)
For the nine months period ended 30 September 2020

	Three months period ended 30 September		Nine months period ended 30 September	
	2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)	2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)
Loss for the period	<u>(7,222)</u>	<u>(32,398)</u>	<u>(17,462)</u>	<u>(91,525)</u>
Other comprehensive (loss)/income:				
<i>Items that will never be reclassified to profit or loss:</i>				
Share in other comprehensive income/(loss) of associates and joint ventures (fair value through other comprehensive income ("FVOCI"))	199	21	(971)	918
Change in fair value of investments in securities - net (FVOCI) (note 8)	<u>(794)</u>	<u>(4,021)</u>	<u>534</u>	<u>(7,746)</u>
Other comprehensive loss for the period	<u>(595)</u>	<u>(4,000)</u>	<u>(437)</u>	<u>(6,828)</u>
Total comprehensive loss for the period	<u>(7,817)</u>	<u>(36,398)</u>	<u>(17,899)</u>	<u>(98,353)</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(8,090)	(39,791)	(24,540)	(110,923)
Non-controlling interests	273	3,393	6,641	12,570
Total comprehensive loss for the period	<u>(7,817)</u>	<u>(36,398)</u>	<u>(17,899)</u>	<u>(98,353)</u>

The accompanying notes 1 to 23 are an integral part of the condensed consolidated interim financial information.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Condensed consolidated statement of cash flows (unaudited)
For the nine months period ended 30 September 2020

	Note	Nine months period ended 30 September	
		2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)
Cash flows from operating activities			
Loss for the period		(17,462)	(91,525)
<i>Adjustments for:</i>			
Depreciation		7,735	9,457
Share of loss/(profit) from associates and joint ventures		13,443	(1,841)
Change in fair value of investments measured at fair value through profit or loss		4,640	1,974
Provision of employees' end of service benefits		2,614	3,053
Loss on sale of investments in securities		20	(83)
Interest on lease liability		565	-
Finance income		(4,422)	(5,480)
Finance cost		23,343	115,180
Operating profit before working capital changes		30,476	30,735
Changes in re-insurance contract assets		(121,703)	(6,753)
Changes in insurance contract liabilities		144,983	32,824
Changes in related parties		(6,894)	(20,630)
Changes in properties held for development and sale		(3,236)	(13,715)
Changes in inventories		84	(2,143)
Changes in trade and other receivables		14,279	28,743
Changes in trade and other payables		59,285	115,746
Additions to investment properties		(27,142)	(19,256)
Proceeds from sale of investments in securities		509	821
		90,641	146,372
Employees' end of service benefits paid		(4,266)	(7,056)
Directors' fee paid		(1,495)	(2,000)
Net cash generated from operating activities		84,880	137,316
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,932)	(4,263)
Finance income		4,422	5,480
Net cash (used in)/generated from investing activities		(3,510)	1,217
Cash flows from financing activities			
Net movement in bank borrowings		1,917	3,251
Dividend paid to non-controlling interest		(593)	(6,493)
Finance costs		(23,343)	(115,180)
Payment of lease liability		(4,854)	-
Net cash used in financing activities		(26,873)	(118,422)
Net decrease in cash and cash equivalents		54,497	20,111
Cash and cash equivalents at the beginning of the period		167,705	140,229
Cash and cash equivalents at the end of the period	15	222,202	160,340

The accompanying notes 1 to 23 are an integral part of the condensed consolidated interim financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries

Condensed consolidated statement of changes in equity

For the nine months period ended 30 September 2020

Attributable to owners of the Company

	Share Capital AED '000	Legal reserve AED '000	Additional reserve AED '000	Land revaluation reserve AED '000	Cumulative change in fair value of investments measured at FVIOCI AED '000	Accumulated losses AED '000	Total AED '000	Non-controlling interests AED '000	Total AED '000
As at 1 January 2019 (audited)	1,791,333	49,164	7,068	37,747	(34,578)	(1,532,090)	318,644	257,785	576,429
Total comprehensive income for the period (unaudited):									
(Loss)/profit for the period	-	-	-	-	-	(104,095)	(104,095)	12,570	(91,525)
Other comprehensive (loss)/income	-	-	-	-	(7,746)	918	(6,828)	-	(6,828)
Total comprehensive (loss)/ income	-	-	-	-	(7,746)	(103,177)	(110,923)	12,570	(98,353)
<i>Transaction with owners of the company</i>									
Dividend paid	-	-	-	-	-	-	-	(6,493)	(6,493)
Other movement	-	-	-	-	-	(1000)	(1000)	(1000)	(2,000)
Directors' fees paid by a subsidiary	-	-	-	-	-	-	-	-	-
As at 30 September 2019 (unaudited)	1,791,333	49,164	7,068	37,747	(42,324)	(1,636,267)	206,721	262,862	469,583
As at 1 January 2020 (audited)	1,791,333	49,645	7,068	37,747	(44,212)	(1,698,126)	143,455	241,344	384,799
Total comprehensive (loss)/income for the period (unaudited):									
(Loss)/profit for the period	-	-	-	-	-	(24,103)	(24,103)	6,641	(17,462)
Other comprehensive income/(loss)	-	-	-	-	534	(971)	(437)	-	(437)
Total comprehensive income/(loss)	-	-	-	-	534	(25,074)	(24,540)	6,641	(17,899)
<i>Transactions with owners of the company</i>									
Dividend paid	-	-	-	-	-	-	-	(593)	(593)
Other movement	-	-	-	-	-	(744)	(744)	(751)	(1,495)
Directors' fees paid by a subsidiary	-	-	-	-	-	-	-	-	-
At 30 September 2020 (unaudited)	1,791,333	49,645	7,068	37,747	(43,678)	(1,723,944)	118,171	246,641	364,812

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial information.

Gulf General Investments Co. (P.S.C) and its subsidiaries

Notes to the condensed consolidated interim financial information (unaudited)

For the nine months period ended 30 September 2020

1 Reporting entity

Gulf General Investments Co. (P.S.C) (the “Company”) is incorporated under Emiri Decree No. 2/73 dated 27 July 1973 as a Public Shareholding Company. The duration of the Company is ninety nine years commencing from the date of issuance of the above mentioned Emiri Decree. The registered address of the Company is P. O. Box 22588, Dubai, United Arab Emirates. The Company is listed on the Dubai Financial Market.

The condensed consolidated interim financial information as at and for the nine months period ended 30 September 2020 (the “current period”) comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The principal activities of the Group are to act as a real estate agent, manufacturing, retail trading and provision of real estate development, writing of insurance of all types, hospitality and other services.

Investment Group (Pvt) Limited, a company registered in UAE is a significant shareholder of the Company (the “significant shareholder”).

2 Basis of preparation

Statement of compliance

The condensed consolidated interim financial information as at and for the nine months period ended 30 September 2020 has been prepared in accordance with the International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’ issued by the International Accounting Standards Board. This does not include all of the information required for a complete set of International Financial Reporting Standards (“IFRS”) financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively.

The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

3 Significant accounting policies

The accounting policies applied are same as those applied in the annual consolidated financial statements as at and for the year ended 31 December 2019 except for interest cost on borrowings which the Group has suspended effective from 1 January 2020 (refer to note 17).

New standards and interpretations not yet adopted

The impact of the new standard that is effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however the Group has not early adopted the below new or amended standard in preparing these condensed consolidated interim financial information.

Gulf General Investments Co. (P.S.C) and its subsidiaries

Notes to the condensed consolidated interim financial information (unaudited)

For the nine months period ended 30 September 2020

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

IFRS 17 Insurance Contracts (effective from 1 January 2023)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Management anticipates that IFRS 17 will be adopted in the Group's financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its takaful contracts. However, it is not practical to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

4 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, equity price risk, and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

There has been no change in the risk management policies since the year end.

5 Funding and liquidity

The Group has third party commitments amounting to AED 4,291.3 million as at 30 September 2020 (31 December 2019: AED 4,113.9 million) of which AED 4,265.3 million (31 December 2019: AED 4,086.3 million) is payable within one year from the reporting date.

These third party commitments include loans and borrowings of AED 2,941.2 million (31 December 2019: AED 3,035.3 million) which is payable within one year from the reporting date.

The Board of Directors expect that the Group will meet its funding requirements through future income generated from operations, sale of investments and properties, existing cash and bank balance and restructuring of its certain existing loan facilities.

Furthermore, the Board of Directors and the management have undertaken a variety of initiatives and are continuing with the plans as outlined above, which they believe to be realistic and achievable to ensure the Group's ability to meet its financial commitments as they fall due. Also refer to note 17.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the condensed consolidated interim financial information (unaudited)
For the nine months period ended 30 September 2020

6 Investment properties

	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
Opening balance	2,504,716	2,346,265
Additions during the period/year	27,142	27,242
Transferred from development properties	-	223,385
Transferred to property, plant and equipment	-	(76,752)
Change in fair value	-	(15,424)
Closing balance	<u>2,531,858</u>	<u>2,504,716</u>

- (i) During the months period ended 30 September 2020, the Directors' of the Company have reviewed the carrying value of investment properties and are of the opinion that there is no significant change in fair value of investment properties as compared to the previous valuation carried out as at 31 December 2019.

The fair value measurement of these properties have been categorised as Level 3 fair value.

- (ii) Certain investment properties are mortgaged to banks towards credit facilities granted to the Group.

7 Investments in associates

The Group's share of loss in associates for the nine months period ended 30 September 2020 amounted to AED 13.4 million (30 September 2019: share of profit of AED 1.8 million).

Certain investments in associates and joint ventures are mortgaged to banks towards credit facilities granted to the Group.

8 Investments in securities

	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
<i>Investments measured at fair value through other comprehensive income ("FVOCI")</i>		
Opening balance	57,577	67,211
Change in fair value during the period/year	<u>534</u>	<u>(9,634)</u>
Closing balance	<u>58,111</u>	<u>57,577</u>

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the condensed consolidated interim financial information (unaudited)
For the nine months period ended 30 September 2020

8 Investments in securities (continued)

	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
<i>Investments measured at fair value through profit or loss ("FVTPL")</i>		
Opening balance	100,362	108,561
Transfer from investment in associate	-	2,240
Disposal during the period/year	(489)	(738)
Change in fair value during the period/year	(4,640)	(9,701)
Closing balance	<u>95,233</u>	<u>100,362</u>

Certain investments are mortgaged to banks and financial institution towards credit facilities granted to the Group.

9 Properties held for development and sale

During the nine months period ended 30 September 2020, the Company's Directors have reviewed the carrying value of properties held for development and sale and are of the opinion that there is no significant change in recoverable amount of properties held for development and sale as compared to the previous valuation carried out as at 31 December 2019. Certain properties held for development and sale are mortgaged to banks towards credit facilities granted to the Group.

10 Inventories

Certain inventories along with assignment of insurance policies against those inventories are hypothecated to banks against credit facilities granted to the Group.

11 Trade and other receivables

Trade and other receivables include notes receivable that represent post-dated cheques received from the buyers of properties held for development and sale. Management has performed an impairment assessment on the future collectability of these notes receivable and accordingly has concluded that no allowance for impairment is required as these notes are expected to be realised in the normal course of business.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the condensed consolidated interim financial information (unaudited)
For the nine months period ended 30 September 2020

12 Reinsurance contract assets and insurance contract liabilities

	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
Gross		
Reserve for outstanding claims	201,615	76,785
Unallocated loss adjustment expense reserve	4,510	3,985
Mathematical reserve	1,246	1,190
Reserve for incurred but not reported claims (IBNR)	53,052	49,307
Reserve for outstanding claims (including IBNR)	260,423	131,267
Unearned premium reserve	218,151	202,324
Total insurance contract liabilities (gross)	478,574	333,591
Less: recoverable from reinsurers		
Reinsurer share of outstanding claims	(164,837)	(32,581)
Reinsurer share of mathematical reserve	(1,255)	(1,180)
Reinsurer share of incurred but not reported claims (IBNR)	(18,788)	(17,046)
Reinsurer share of outstanding claims (including IBNR)	(184,880)	(50,807)
Unamortised reinsurance premium reserve	(53,137)	(65,507)
Total re-insurance contract assets	(238,017)	(116,314)
Net insurance contract liabilities	240,557	217,277

13 Cash in hand and at bank

	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
Cash in hand	765	966
Bank balances:		
- Current accounts	92,632	58,475
- Deposit accounts	197,822	200,180
Less: expected credit losses	(34)	(34)
	291,185	259,587

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the condensed consolidated interim financial information (unaudited)
For the nine months period ended 30 September 2020

13 Cash in hand and at bank (continued)

Deposits include fixed deposits of AED 152.2 million (31 December 2019: AED 184 million) held under lien (also refer to note 15) against facilities granted to the Group and also include a deposit amounting to AED 10.3 million (31 December 2019: AED 10.3 million) deposited in the name of the Group to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law No. (6) of 2007 relating to the Insurance Authority.

14 Share capital

	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
<i>Authorised, issued and paid up</i>		
1,791 million shares of AED 1 each paid up in cash	<u>1,791,333</u>	<u>1,791,333</u>

15 Cash and cash equivalents

	Nine months period ended 30 September	
	2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)
Cash in hand	766	1,443
Bank balances:		
- Current accounts	92,633	54,311
- Deposit accounts	197,820	215,857
Expected credit losses	<u>(34)</u>	<u>(34)</u>
	291,185	271,577
Less: Fixed deposits under lien/deposits with maturity over nine months	(886)	(4)
Less: bank overdrafts (refer to note 17)	<u>(68,097)</u>	<u>(111,233)</u>
	<u>222,202</u>	<u>160,340</u>

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the condensed consolidated interim financial information (unaudited)
For the nine months period ended 30 September 2020

16 Related party transactions and balances

The Group in the ordinary course of business, enters into transaction with other business enterprises that fall within the definition of a related party as contained in International Accounting Standard 24. Pricing policies and terms of transactions with related parties are mutually agreed.

Significant transactions carried out with related parties during the period, other than those disclosed elsewhere in the condensed consolidated interim financial information, are as follows:

	Nine months period ended 30 September	
	2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)
Commission paid on rented properties	708	786
Gross premium	1,645	3,927
Claims paid	<u>(595)</u>	<u>2,000</u>
<i>Compensation to key management personnel:</i>		
Salaries and benefits	<u>2,434</u>	<u>2,637</u>
 <i>Due from related parties</i>		
	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
Associates	20,304	44,143
Other related parties	<u>57,098</u>	<u>39,360</u>
	<u>77,402</u>	<u>83,503</u>
 <i>Due to related parties</i>		
	30 September 2020 AED '000 (Unaudited)	31 December 2019 AED '000 (Audited)
Associates	16,439	17,130
Other related parties	<u>401,873</u>	<u>414,177</u>
	<u>418,312</u>	<u>431,307</u>

The Group's assets comprising of certain investment in subsidiaries, investment properties, investment in associates and investment in securities are held by the related parties for the beneficial interest of the Group.

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17 Borrowings

	30 September 2020	31 December 2019
Term loans (refer note below)	2,260,441	2,260,341
Bank overdrafts (refer to note 15)	68,097	90,996
Trust receipts	20,974	19,157
	<u>2,349,512</u>	<u>2,370,494</u>

The below table provides movement of interest-bearing borrowings:

	30 September 2020	31 December 2019
At 1 January	2,370,494	2,398,320
<i>Cash flow items</i>		
Increase in/repayment of borrowings during the period/year	1,917	(277)
<i>Other non-cash items</i>		
Net movement in bank overdrafts	(22,899)	(27,549)
At 30 September/31 December	<u>2,349,512</u>	<u>2,370,494</u>

On 2 July 2012, the Company concluded the restructuring agreement with a group of banks covering the outstanding debt of AED 2,778 million ("Earlier Restructured Loan"). The restructured loan was repayable in annual instalments up to 31 December 2018.

During 2017, the Company initiated a negotiation with the lenders to further restructure its outstanding debt. As at 30 September 2017, the Company concluded the revised restructuring agreement after obtaining approvals from the majority of the banks covering a total debt of AED 2,147 million (including interest payable of AED 74 million upto 31 December 2016). Under the revised agreement, 66.08% of the Earlier Restructured loan is repayable in annual instalments until 31 December 2023 and the remaining 33.92% as a final settlement in a manner to be renegotiated at that time.

Of the total restructured loan, the repayment of AED 157.4 million (principal), due and payable as at 30 September 2020, was defaulted by the Company. The Company's Directors have reviewed the facts and circumstances of this default and have accordingly classified the entire loan amount as current liability.

The revised restructured facility carries interest at the rate of 2.75% per annum above 6-month EIBOR for term facilities denominated in AED and 6-month LIBOR for term facilities denominated in USD charged on a semi-annual basis. Further, effective from the revised restructuring agreement date, a payment-in-kind (PIK) at 0.5% will be additionally charged on a semi-annual basis on the outstanding debt and is due to be repaid on 31 December 2023. Commencing 31 December 2018, in the event of default, the interest rate will be increased by 0.25% per annum on a semi-annual basis. Any such increase in the interest rate will no longer be applicable for future periods if no event of default subsists.

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17 Borrowings (continued)

Board of Directors agreed that due to the ongoing discussion with lenders for settlement, the Group should suspend the interest charged by the financial institutions effective 1 January 2020.

There is no change in the security and covenant requirements as per the revised restructuring agreement. The Company is required to maintain a minimum Asset Cover Ratio of 1.2:1 and is also subject to the general covenants including dividend restriction in accordance with the restructuring agreement. Further, certain subsidiaries of the Company are subject to maintain certain level of financial indebtedness as guarantors of the restructured loan. These borrowings are secured against certain assets of the Group.

Some of the Group entities are also in negotiation with banks to restructure their existing borrowings facilities with a total outstanding of AED 210 million (31 December 2019: AED 210 million) (principal) and interest of AED 103.4 million (31 December 2019: AED 103.4 million) (included in trade and other payables) as at the reporting date.

As at 30 September 2020, one of the Group entities has not complied with certain bank covenants. The carrying value of the outstanding loan is AED 161 million (principal) which is classified within current liabilities.

Furthermore, the Company is in the process of negotiation with a financial institution to restructure a credit facility amounting to AED 257 million (included in trade and other payables) and interest of AED 39 million (31 December 2019: AED 39 million) which became due for repayment on 30 September 2016.

Other borrowings

Other borrowings mainly include borrowings by the subsidiaries of the Company. These borrowings are subject to certain financial covenants at the respective subsidiary level and are at the below terms and conditions:

- Pledge of assets;
- Promissory note in favour of the banks; and
- Hypothecation over goods financed by trust receipts.

18 Administrative and general expenses

	Three months period ended 30 September		Nine months period ended 30 September	
	2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)	2020 AED '000 (Unaudited)	2019 AED '000 (Unaudited)
Staff costs	15,134	18,234	47,840	60,631
Rent	3,955	1,536	7,058	7,569
Legal and professional fee	2,666	1,949	7,940	6,236
Depreciation	4,002	3,005	7,735	9,457
Repairs and maintenance	640	149	3,102	3,165
Telephone, postal and office supplies	171	566	748	948

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19 Financial instruments/ fair value hierarchy

(i) Financial instruments

Financial assets of the Group include investments in securities, re-insurance contract assets, trade and other receivables and cash in hand and at bank. Financial liabilities of the Group include borrowings, insurance contract liabilities, trade and other payables and finance lease liabilities. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and comparative period:

	Designated as fair value through profit or loss AED '000	Designated as fair value through other comprehensive income AED '000	Others at amortised cost AED '000	Carrying amount AED '000	Fair value AED '000
30 September 2020					
(Unaudited)					
<i>Financial assets</i>					
Investments in securities	95,233	58,111	-	153,344	153,344
Due from related parties	-	-	77,402	77,402	77,402
Re-insurance contract assets	-	-	238,017	238,017	238,017
Trade and other receivables	-	-	723,107	723,107	723,107
Cash at bank	-	-	290,420	290,420	290,420
	95,233	58,111	1,328,946	1,482,290	1,482,290
<i>Financial liabilities</i>					
Borrowings	-	-	2,349,512	2,349,512	2,349,512
Due to related parties	-	-	418,312	418,312	418,312
Insurance contract liabilities	-	-	478,574	478,574	478,574
Trade and other payables	-	-	1,431,113	1,431,113	1,431,113
	-	-	4,677,511	4,677,511	4,677,511
31 December 2019					
(Audited)					
<i>Financial assets</i>					
Investments in securities	100,362	57,577	-	157,939	157,939
Due from related parties	-	-	83,503	83,503	83,503
Re-insurance contract assets	-	-	116,314	116,314	116,314
Trade and other receivables	-	-	737,386	737,386	737,386
Cash at bank	-	-	258,621	258,621	258,621
	100,362	57,577	1,195,824	1,353,763	1,353,763
<i>Financial liabilities</i>					
Borrowings	-	-	2,370,494	2,370,494	2,370,494
Due to related parties	-	-	431,307	431,307	431,307
Insurance contract liabilities	-	-	333,591	333,591	333,591
Trade and other payables	-	-	1,371,828	1,371,828	1,371,828
	-	-	4,507,220	4,507,220	4,507,220

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19 Financial instruments/fair value hierarchy (continued)

(ii) Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed 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: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000
30 September 2020 (Unaudited)			
<i>Financial assets</i>			
Investments measured at fair value through other comprehensive income:			
Quoted equity investments	54,131	-	-
Unquoted equity investments	-	-	3,980
	<u>54,131</u>	<u>-</u>	<u>3,980</u>
Investments measured at fair value through profit or loss:			
Quoted equity investments	33,076	-	-
Unquoted equity investments	-	-	62,157
	<u>33,076</u>	<u>-</u>	<u>62,157</u>
31 December 2019 (Audited)			
<i>Financial assets</i>			
Investments measured at fair value through other comprehensive income:			
Quoted equity investments	53,253	-	-
Unquoted equity investments	-	-	4,324
	<u>53,253</u>	<u>-</u>	<u>4,324</u>
Investments measured at fair value through profit or loss:			
Quoted equity investments	35,317	-	-
Unquoted equity investments	-	-	65,045
	<u>35,317</u>	<u>-</u>	<u>65,045</u>

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19 Financial instruments/fair value hierarchy (continued)

(ii) Fair value hierarchy (continued)

During the nine months period ended 30 September 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements (2019: Nil).

The fair value of unquoted equity investments was determined by an external, qualified and independent valuer as at 31 December 2019 who has experience in equity investments valuations. The Company's Directors are of the opinion that there is no significant change in fair value of unquoted equity investments as compared to the previous valuation carried out as at 31 December 2019.

20 Loss per share

	Nine months period ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Net loss attributable to owners of the company (AED '000)	<u>(24,103)</u>	<u>(104,095)</u>
Number of shares ('000)	<u>1,791,333</u>	<u>1,791,333</u>
Basic loss per share (AED per share)	<u>(1.35)</u>	<u>(5.81)</u>

There was no dilution effect on the basic earnings per share as the Company does not have any such outstanding commitment as at the reporting date.

21 Contingent liabilities and commitments

Guarantees

The Group has issued corporate guarantees for loans and advances from commercial banks obtained by related and third parties including subsidiaries and associates.

Litigations

Certain claims and contingent liabilities may arise during the normal course of business. The Board of Directors review these on a regular basis as and when such claims are received and each case is treated according to its merit. Based on the terms of the relevant contract and circumstances, the Group determines if a counter claim should be lodged. Based on the opinion of the Group's independent legal counsel and information presently available, the Board of Directors have assessed that the final outcome of outstanding legal claims (initial judgement in some cases is in favour and in some cases against the Company) cannot be reliably determined considering these cases are sub-judice. On the basis of their review of the current position of these legal claims, the Company's Directors are of the view that the existing provision as at the reporting date is adequate to cover any possible cash outflows arising from the final outcome of these claims. The Company has elected not to present the complete disclosures as required by IAS 37 "Provision and Contingent Liabilities and Contingent Assets" as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters.

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21 Contingent liabilities and commitments (continued)

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

22 Segment reporting

The internal management reports which are prepared under IFRS are reviewed by the Board of Directors based on the different sectors in which the Group operates. The Group has identified the following different sectors as its basis of segmentation:

<i>Manufacturing</i>	Includes manufacture and sale of oil, lubricants, grease, prefabricated houses, concrete, carpentry, restaurant, ovens, kitchens and central air conditioning systems.
<i>Investments</i>	Includes investments in real estate properties and equity securities.
<i>Services and others</i>	Service and other operations include writing of insurance and various other services including hospitality.

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

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22 Segment reporting (continued)

	Manufacturing		Investments		Services and others		Unallocated		Total	
	30-Sep 2020	31-Dec 2019	30-Sep 2020	31-Dec 2019	30-Sep 2020	31-Dec 2019	30-Sep 2020	31-Dec 2019	30-Sep 2020	31-Dec 2019
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Segment assets	265,750	267,228	3,890,788	3,885,870	574,851	459,390	343,032	317,530	5,074,421	4,930,018
Segment liabilities	329,765	328,002	3,230,534	3,177,272	635,529	491,999	513,786	547,946	4,709,614	4,545,219
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019	30-Sep 2020	30-Sep 2019
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	17,224	19,068	15,396	27,597	283,605	287,498	-	-	316,225	334,163
(Unaudited)										
Revenue										
Segment result from operations	(2,786)	(4,173)	(10,394)	(3,381)	14,639	25,729	-	-	1,459	18,175
Finance income	-	-	4,422	5,480	-	-	-	-	4,422	5,480
Finance cost	(472)	(10,187)	(20,660)	(101,398)	(2,211)	(3,595)	-	-	(23,343)	(115,180)
(Loss)/profit for the period	(3,258)	(14,390)	(26,632)	(99,299)	12,428	22,164	-	-	(17,462)	(91,525)

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23 Seasonality of results and events affecting the operations

The Group's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Further, the Group is continuing to monitor the impact of COVID-19 on its financial performance. To date, there has been no significant impact identified on the credit risk or instances of default. Accordingly, results for the period ended 30 September 2020 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2020.