Damac Properties Dubai Co. PJSC
Dubai – United Arab Emirates

Review report and unaudited interim financial information for the three month period ended 31 March 2020

Damac Properties Dubai Co. PJSC
Unaudited interim financial information
for the three month period ended 31 March 2020

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Directors' Report

The Board of Directors has the pleasure in submitting their report together with the unaudited interim financial information of DAMAC Properties Dubai Co. PJSC (the "Company") and its subsidiaries (together the "Group") for the three month period ended 31 March 2020.

Revenue for the period stood at AED 1,229 million (Mar 2019: AED 896 million) and net loss for the period was AED 120 million (Mar 2019: Profit of AED 31 million). As at 31 March 2020, total assets were at AED 23,273 million (Dec 2019: AED 23,825 million) and shareholder's equity stood at AED 13,953 million (Dec 2019: AED 14,073 million), total shares issued remained unchanged at 6,050 million shares. Profit during the three month period ended 31 March 2020 was adversely impacted due to non-cash items such as provision for impairment on development properties amounting to AED 130 million, provision for impairment on trade receivables amounting to AED 53 million and loss on fair value of financial investment of AED 14 million due to prevalent market conditions.

Gross debt stood at AED 3,480 million with cash and bank balance at AED 4,582 million. Cash generated from operations during the period was AED 121 million. We are pleased to share that during this challenging environment, DAMAC has reduced gross debt by AED 362 million during the three-month period ended 31 March 2020. During the period, AED 75 million was paid for land commitment and our land bank is now fully paid as at March 2020.

The 1st quarter of 2020 witnessed the Global pandemic of Covid-19, various economies and sectors have faced significant disruptions due to total or partial lockdown in most countries of the world, with negative implications on the global economy. We have ensured health and safety measures for our employees, customers, contractors and our communities. We have assessed the potential impacts of the outbreak on our operations due to the restrictions placed by various government to curb the spread of COVID-19. This will likely impact the prices and demand of properties which would impact key estimates used in determining the net realizable value of development properties, expected credit loss from trade receivables and contract assets and the fair valuation of financial investment. We have exercised significant judgements in evaluating the impact of the outbreak and shall consider reassessing such judgements and estimates in subsequent periods as the condition evolves. We shall actively monitor the situation of COVID-19 as it evolves, on our financial position, liquidity, operations, suppliers, industry, and workforce and will take necessary measures to safeguard interest of all stakeholder.

We thank the UAE leadership for their vision, aspiration and execution which gives a positive platform for all participants to excel and contribute to the growth of the UAE. We also would like to thank regulators, government bodies, our shareholders, debtholders, customers, partners and employees who have been our partners in this successful journey.

Significant related party transaction are disclosed in Note 19 of the unaudited interim financial information. All these transactions have been carried out in normal course of business and in compliance with applicable laws and regulations. To the best of our knowledge, the unaudited interim financial information included in the report fairly presents in all material aspects the financial condition, results of operation and cash flows of the Group as of 31 March 2020.

On behalf of the Board of Directors



Chairman

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Damac Properties Dubai Co. PJSC, Dubai

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Damac Properties Dubai Co. PJSC ("the Company") and its subsidiaries (together the "Group") as at 31 March 2020, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standards 34 (IAS 34) "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared in all material respects in accordance with IAS 34 "*Interim Financial Reporting*".

Other matter

The interim financial information of Damac Properties Dubai Co. PJSC for the three month period ended 31 March 2019, were reviewed by another auditor who expressed an unmodified conclusion on those interim financial information on 14 May 2019.

BDO CHARTERED ACCOUNTANTS & ADVISORS
Mohamed Afzal Koya Ali
Reg. No. 522
Dubai
21 May 2020

بي دي أو محاسبون قانونيون ومستشارون شركة مساهمة مسجلة بدبي وعضو بشركات بي دي أو العالمية المحدودة، وبضمان محدود من المملكة المتحدة، وتشكل جزء من شبكة بي دي أو العالمية ذات عضوية مستقلة.

BDO Chartered Accountants & Advisors, a partnership firm registered in Dubai, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the International BDO network of independent member firms.
Branch Offices: Abu Dhabi, Sharjah, JAFZ & SAIF Zone.

Condensed consolidated statement of financial position as at 31 March 2020

	Notes	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
ASSETS			
Cash and bank balances	6	**4,582,116**	4,645,848
Trade and other receivables	7	**7,866,916**	8,010,115
Development properties	8	**9,374,716**	9,527,253
Other financial assets	9	**704,816**	870,394
Financial investment	10	**355,890**	369,753
Right-of-use assets	11	**84,253**	92,458
Property and equipment	12	**125,983**	128,040
Investment properties	13	**178,740**	180,771
Total assets		**23,273,430**	23,824,632
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**6,050,000**	6,050,000
Statutory reserve		**903,497**	903,497
Retained earnings		**7,013,228**	7,119,355
Fair value reserve		**(13,863)**	-
Total equity		**13,952,862**	14,072,852
Liabilities			
Trade and other payables	15	**3,473,724**	3,445,590
Advances from customers	16	**2,281,282**	2,371,228
Lease liabilities	11	**85,878**	93,370
Bank borrowings	17	**246,027**	549,681
Sukuk certificates	18	**3,233,657**	3,291,911
Total liabilities		**9,320,568**	9,751,780
Total equity and liabilities		**23,273,430**	23,824,632

Chairman **Director**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2020

	Notes	1 January to 31 March	
		2020	2019
		(3 month)	(3 month)
		(Unaudited)	(Unaudited)
		AED'000	AED'000
Revenue	**20**	**1,229,231**	896,392
Cost of sales		**(917,037)**	(653,954)
Gross profit		**312,194**	242,438
Other operating income	**21**	**17,078**	47,997
General, administrative and selling expenses	**22**	**(221,949)**	(231,451)
Amortisation of right-of-use assets	**11**	**(8,205)**	(8,205)
Depreciation	**12,13**	**(7,450)**	(8,734)
Provision for impairment on development properties	**8**	**(130,014)**	-
(Provision)/ reversal of impairment on trade receivables	**7**	**(52,516)**	71
Operating (loss)/ profit		**(90,862)**	42,116
Other income	**23**	**25,618**	23,001
Finance income	**24**	**20,465**	44,040
Finance costs	**25**	**(61,348)**	(78,101)
(Loss) / profit for the period		**(106,127)**	31,056
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Valuation loss on financial investment measured at fair value through other comprehensive income	**10**	**(13,863)**	-
Total comprehensive income for the period		**(119,990)**	31,056
Earnings per share			
Basic and diluted (AED)	**28**	**(0.0175)**	0.0051

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the three month period ended 31 March 2020

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Fair value reserve AED'000	Total AED'000
Balance at 1 January 2019 (Audited)	6,050,000	903,497	7,156,234	-	14,109,731
Profit for the period	-	-	31,056	-	31,056
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**31,056**	**-**	**31,056**
Balance at 31 March 2019 (Unaudited)	**6,050,000**	**903,497**	**7,187,290**	**-**	**14,140,787**
Balance at 1 January 2020 (Audited)	6,050,000	903,497	7,119,355	-	14,072,852
Loss for the period	-	-	(106,127)	-	(106,127)
Other comprehensive Income	-	-	-	(13,863)	(13,863)
Total comprehensive income for the period	-	-	**(106,127)**	**(13,863)**	**(119,990)**
Balance at 31 March 2020 (Unaudited)	**6,050,000**	**903,497**	**7,013,228**	**(13,863)**	**13,952,862**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flow for the three month period ended 31 March 2020

	1 January to 31 March	
	2020	2019
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Cash flows from operating activities		
(Loss) / profit for the period	**(106,127)**	31,056
Adjustments for:		
Depreciation on property and equipment and investment properties (notes 12 and 13)	**7,450**	8,734
Amortisation on right-of-use assets (note 11)	**8,205**	8,205
Provision for employees' end-of-service indemnity (note 15)	**3,045**	3,044
Amortisation of issue costs on sukuk certificates (note 18)	**1,259**	2,455
Loss on disposal of property and equipment	**-**	16
Provision for impairment on development properties (note 8)	**130,014**	-
Provision/ (reversal) of impairment on trade receivables (note 7)	**52,516**	(71)
Finance costs (note 25)	**61,348**	78,101
Finance income (note 24)	**(20,465)**	(44,040)
Gain on repurchase of sukuk certificates (note 18)	**(12,888)**	-
Operating cash flows before changes in operating assets and liabilities	**124,357**	87,500
Decrease in trade and other receivables	**89,562**	127,667
Decrease/ (increase) in development properties	**22,523**	(45,748)
Decrease in trade and other payables	**(23,067)**	(59,466)
(Decrease)/ increase in advances from customers	**(89,946)**	91,704
Employee end-of-service indemnity paid (note 15)	**(2,542)**	(5,021)
Net cash generated from operating activities	**120,887**	196,636
Cash flows from investing activities		
Purchases of property and equipment (note 12)	**(3,362)**	(77)
Increase in financial investment	**-**	(21,197)
Decrease in other financial assets	**165,578**	222,406
Decrease in deposits with an original maturity of greater than three months	**70,126**	(157,416)
Interest received	**21,586**	37,662
Net cash generated from investing activities	**253,928**	81,378
Cash flows from financing activities		
Proceeds from bank borrowings	**-**	217,281
Repayment of bank borrowings	**(276,516)**	(191,969)
Redemption and repurchase of sukuk certificates	**(46,625)**	-
Repayment for principal portion of lease liabilities	**(7,493)**	(8,428)
Finance costs paid (note 25)	**(10,649)**	(8,430)
Net cash (used in)/ generated from financing activities	**(341,283)**	8,454
Net increase in cash and cash equivalents	**33,532**	286,468
Cash and cash equivalents at the beginning of the period	**4,131,307**	5,542,889
Cash and cash equivalents at the end of the period (note 6)	**4,164,839**	5,829,357

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020`

1. General information

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

The majority shareholder is Mr. Hussain Sajwani (the "Chairman").

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

In light of the rapid spread of COVID-19, which was declared as a pandemic by WHO during March 2020, various economies and sectors have faced significant disruptions due to global travel restrictions and total lockdown in most countries of the world, with negative implications on the global economy and social life. Given the scale of the outbreak, the Group has assessed the potential impacts of the outbreak on its operations due to the restrictions placed by various government to curb or delay the spread of COVID-19. The Group has ensured to implement health and safety measures for its employees, customers, contractors and its communities. The Group operates mainly in development of real estate properties, wherein the Group expects that the outbreak will likely impact the prices and demand of properties. These factors have significantly impacted certain estimates and judgements considered by the Group for the three month period ended 31 March 2020. Refer Note 4 for such disclosures on changes in such key estimates and judgements. The Group continues to actively monitor the condition and its impacts on the financial information.

2. Basis of preparation and statement of compliance

2.1 Statement of compliance

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

The condensed consolidated financial statements of the Group do not include all the information and disclosures required in the full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019. In addition, results for the period from 1 January 2020 to 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.2 Basis of preparation

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the condensed consolidated financial statements continue to be prepared on the going concern basis.

The condensed consolidated financial statements of the Group are prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

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

2.2 Basis of preparation (continued)

The condensed consolidated statement of profit or loss and other comprehensive income for the three month period ended 31 March 2020 is not significantly affected by seasonality of the results.

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

3. Summary of significant accounting policies

The principal accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

3.1 New standards, amendments and interpretations

(a) New standards, and interpretations and amendments effective from January 1, 2020

The following new and amended standards and interpretations issued by IASB that have become effective on or after January 01, 2020, have been adopted in these financial statements. However, these standards did not have any material impact on the amounts reported for the current and prior periods, as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies

- *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies Changes in Accounting Estimates and Errors – Effective from 1 January 2020*

  The IASB has made amendments to IAS 1 and IAS 8 which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

- *Revised Conceptual Framework for Financial Reporting – Effective from 1 January 2020*

  The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition adding guidance on different measurement basis, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations (continued)

(a) New standards, and interpretations and amendments effective from January 1, 2020 (continued)

- *IFRS 9 (2014) Financial Instruments (Amendment – Prepayment Features with Negative Compensation and Modification of Financial Liabilities)*
- *IAS 28 Investments in Joint Ventures (Amendment – Long term Interests in Associates and Joint Ventures)*
- *Annual Improvements to IFRSs 2015 – 2018 Cycle (IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes, IAS 23 Borrowing costs)*
- *IAS 19 Employee Benefits (Amendment – Plan Amendment, Curtailment or Settlement)*

(b) New standards, and interpretations and amendments not yet effective for the financial year beginning 1 January 2020 and not early adopted by the Group.

- *IFRS 17 Insurance Contracts (effective January 1, 2023)*
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and IFRS 11 Joint Ventures relating to the treatment of sale or contribution of assets between an Investor and its Associate or Joint Venture.*

3.2 Basis of consolidation

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

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

*the holding company includes 93 subsidiaries, the results of which are consolidated in DRED.

3.3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

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

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies.

The key sources of estimation uncertainty and the significant judgements are consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

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

The Group continues to assess the impact of Covid-19 on its operations on a regular basis. However, the outbreak is evolving rapidly on a daily basis, due to which there is a material uncertainty around the expected duration and its potential impact on the overall economy and also on the operations of the Group. Due to this, it is challenging to assess the impact of such an evolving condition with certainty at this stage, considering the limited economic information available to determine the impact of the outbreak on the economy and on the real estate sector.

The Group has assessed that the current situation would impact key estimates used in determining the net realizable value of development properties, expected credit loss from trade receivables and contract assets and the fair valuation of financial investment. This is predominantly on account of the decline in demand and sale price of development properties. The Group has exercised significant judgements in evaluating the impact of the outbreak and shall consider reassessing such judgements and estimates in subsequent periods as the condition evolves. Actual results may differ from these estimates.

Financial investment

Financial investment represents the Group's 20% equity interest in a related entity (note 10). Financial investment is measured at fair value through other comprehensive income and not held for trading and debt securities. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income as this is considered to be more appropriate for these strategic investments.

At 31 March 2020, Group reviewed the carrying amount of financial investment in Damac Investment Limited, a related party whose principal activity is property development and as a result of this review, the Group recognised AED 14 million decline in fair value, on account of change in key estimates used to arrive at expected cash flows, which is a significant unobservable input for determining the fair value of such financial investment.

Impairment of trade and other receivables

An estimate of the collectible amount of trade 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.

The Group expects that there will be an increase of the counterparty risk (risk of default) from customers and hence, continues to assess regularly the impact of COVID-19 on its operations, in particular the decline in sale prices and expected recoverable amounts outstanding from its customers. Based on these factors, the Group has reviewed the expected credit loss on trade and other receivables and charged loss allowances of AED 53 million to the statement of profit or loss and other comprehensive income for the three month period ended March 31, 2020.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

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

Net realisable value of development properties

The realisable values of development properties for the annual audited financial statements for the year ended 31 December 2019 were determined by the management based on valuations performed by qualified and independent chartered surveyors and property consultants. However, the realizable value of development properties in these condensed consolidated financial information have been determined by the management internally based on prevailing market situation.

The management has revised its estimates and judgements on expected decline in sale prices, demand and other estimates such as estimated cash flows due to the unprecedented set of circumstances. Based on these factors, the Group reviewed the carrying value of development properties and provided an additional provision of impairment of AED 130 million. Given the evolving condition of COVID-19, the management shall monitor the valuation of development properties on a regular basis and make the necessary judgements and estimates in the subsequent periods as may be required.

5. Segment analysis

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

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

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

	1 January to 31 March	
	2020	2019
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Revenue		
Domestic	**1,196,714**	862,740
International	**32,517**	33,652
	1,229,231	896,392

	31 March	31 December
	2020	2019
	(Unaudited)	(Audited)
	AED'000	AED'000
Development properties		
Domestic	**8,392,898**	8,525,051
International	**981,818**	1,002,202
	9,374,716	9,527,253

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

6. Cash and bank balances

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Cash on hand	**2,754**	1,662
Cash held in escrow	**3,226,371**	3,445,957
Bank balances	**170,853**	84,845
Fixed deposits	**1,182,138**	1,113,384
Cash and bank balances	**4,582,116**	4,645,848
Fixed deposits with an original maturity of greater than three months	**(417,277)**	(487,403)
Bank overdrafts (note 17)	**-**	(27,138)
Cash and cash equivalents	**4,164,839**	4,131,307

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

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

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

Fixed deposits are financial assets held by banks with maturity period of less than and more than three months from the date of placement. As at reporting date, the fixed deposits earned interest at rates ranging from 1% to 6% (2019: 1% to 6%) per annum.

At the reporting date, fixed deposits and bank balances of AED 378 million (2019: AED 496 million) are held by banks under lien against credit facilities issued to the Group.

The Group holds certain bank accounts for the beneficial interest of Owner's Associations, which are not recorded in these consolidated financial statements.

At the reporting date, an amount of AED 2,745 million (2019: AED 2,333 million) is held with Islamic banks and the remaining balance is held with conventional banks.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

7. Trade and other receivables

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Unbilled receivables *(i)*	**3,806,085**	4,313,599
Trade receivables *(ii)*	**3,385,325**	2,965,014
Provision for impairment on trade receivables *(iii)*	**(117,948)**	(65,432)
	7,073,462	7,213,181
Advances and deposits	**587,623**	615,075
Other receivables, prepayments and other assets	**205,831**	181,859
	7,866,916	8,010,115

(i) Unbilled receivables are contract assets which relate to the Group's right to receive consideration for work completed but not billed at the reporting date. These are transferred to trade receivables when invoiced.

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

(iii) Movement in the provision for impairment on trade receivables is as follows:

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Balance at the beginning of the period/ year	**(65,432)**	(24,108)
Net provision of impairment during the period/ year	**(52,516)**	(41,324)
Balance at the end of the period/ year	**(117,948)**	(65,432)

8. Development properties

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

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Balance at the beginning of the period/year	**9,527,253**	9,214,522
Additions	**894,680**	3,543,015
Transfer to cost of sales	**(917,203)**	(3,105,910)
Provision for impairment	**(130,014)**	(124,374)
Balance at the end of the period/year	**9,374,716**	9,527,253

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

8. Development properties (continued)

Impairment of development properties

At 31 March 2020, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete.

This review resulted in an impairment provision of AED 130 million during the current period.

Assets held as development properties

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

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Land held for future development	**680,842**	751,265
Properties under development	**6,495,503**	6,587,276
Completed properties	**2,198,371**	2,188,712
	9,374,716	9,527,253

No borrowing costs have been capitalised to development properties. The carrying value of development properties located outside the United Arab Emirates as at 31 March 2020 is AED 982 Million (2019: AED 1,002 Million)

9. Other financial assets

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Escrow retention accounts	**693,382**	856,026
Margin deposits	**9,315**	12,249
Other	**2,119**	2,119
	704,816	870,394

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

At 31 March 2020, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit or interest at relevant commercial rates.

At the reporting date, an amount of AED 432 million (31 December 2019: AED 501 million) is held with Islamic banks and the remaining balance is held with conventional banks.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

10. Financial investment

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Opening balance	**369,753**	283,073
Additional investment	**-**	86,680
Change in fair value in other comprehensive income	**(13,863)**	-
Closing balance	**355,890**	369,753

This financial investment is the Group's strategic investment in Damac International Limited, which represents a 20% equity interest in the related entity.

This financial investment is measured at fair value through other comprehensive income as this investment is not held for trading and debt securities are not held to collect and sell. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income as this is considered to be more appropriate for these strategic investments. The fair value of the financial investment is a level 3 recurring fair value measurement. The valuation techniques and significant unobservable inputs used in determining the fair value measurement, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial instrument	**Valuation techniques used**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Equity instruments	The Group has adopted income approach to determine the fair value	1. Expected cash flows 2. Discount rate of 14%	The higher the discount rate, the lower the fair value of the financial investment

At 31 March 2020, Group reviewed the carrying amount of financial investment in Damac Investment Limited and as a result of this review, Group recognised a fair value loss of AED 14 million.

During the period, there has been no further investment by the Group in Damac International Limited, a related entity whose principal activity is property development, and fair value is AED 356 million (2019: AED 370 million) which represents a 20% (2019: 20%) equity interest in the related entity.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

11. Right-of-use assets and Lease liabilities

Right-of-use assets as at period/ year is as follows:-

Particulars	**Total**
Cost:	**AED'000**
At 1 January 2019 (Audited)	125,278
At 31 December 2019 (Audited)	125,278
At 31 March 2020 (Unaudited)	**125,278**
Accumulated amortisation:	
At 1 January 2019 (Audited)	-
Charge for the year	32,820
At 31 December 2019 (Audited)	32,820
Charge for the period	8,205
At 31 March 2020 (Unaudited)	**41,025**
Carrying value	
At 31 March 2020 (Unaudited)	**84,253**
At 31 December 2019 (Audited)	92,458

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

Particulars	**31 March 2020 (Unaudited) AED'000**	31 December 2019 (Audited) AED'000
Opening balance	**93,370**	125,278
Interest expense (note 25)	**2,252**	11,097
Lease payment	**(9,744)**	(43,005)
Closing balance	**85,878**	93,370

12. Property and equipment

	Buildings AED'000	**Furniture and fixtures AED'000**	**Tools and office equipments AED'000**	**Motor Vehicles AED'000**	**Total AED'000**
Cost:					
At 1 January 2019 (Audited)	91,858	76,748	115,802	4,557	288,965
Additions	219	2,942	4,538	3,649	11,348
Disposals	-	-	(883)	(222)	(1,105)
At 31 December 2019 (Audited)	92,077	79,690	119,457	7,984	299,208
Additions	-	1,737	1,318	307	3,362
At 31 March 2020 (Unaudited)	**92,077**	**81,427**	**120,775**	**8,291**	**302,570**

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

12. Property and equipment (continued)

	Buildings AED'000	Furniture and fixtures AED'000	Tools and office equipments AED'000	Motor vehicles AED'000	Total AED'000
Accumulated depreciation:					
At 1 January 2019 (Audited)	6,827	58,826	79,166	3,397	148,216
Charge for the year	8,513	3,190	10,935	538	23,176
Disposals	-	-	(156)	(68)	(224)
At 31 December 2019 (Audited)	15,340	62,016	89,945	3,867	171,168
Charge for the period	2,145	664	2,351	259	5,419
At 31 March 2020 (Unaudited)	**17,485**	**62,680**	**92,296**	**4,126**	**176,587**
Carrying value					
At 31 March 2020 (Unaudited)	74,592	18,747	28,479	4,165	125,983
At 31 December 2019 (Audited)	76,737	17,674	29,512	4,117	128,040

13. Investment properties

Investment properties represent completed properties held at cost less accumulated depreciation and any impairment losses under the cost model in accordance with IFRS.

Movement during the period/year is as follows:

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Cost:		
Balance at the beginning of the period/ year	**203,114**	203,114
Balance at the end of the period/ year	**203,114**	203,114
Accumulated Depreciation:		
Balance at the beginning of the period/ year	**22,343**	14,218
Charge for the period/ year	**2,031**	8,125
Balance at the end of the period/ year	**24,374**	22,343
Carrying Value as at 31 March 2020	**178,740**	180,771

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

14. Share capital

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Authorised, issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	6,050,000

15. Trade and other payables

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Trade payables	**710,421**	807,954
Accruals	**1,300,640**	1,171,228
Retentions payable *(i)*	**1,032,477**	1,024,187
Deferred consideration payable for land	**-**	75,000
Other payables	**378,026**	315,564
Provision for employees' end-of-service indemnity *(ii)*	**52,160**	51,657
	3,473,724	3,445,590

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

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

	2020 (Unaudited) AED'000	2019 (Audited) AED'000
Balance at the beginning of the period/ year	**51,657**	49,720
Charge for the period/year	**3,045**	12,998
Payments during the period/year	**(2,542)**	(11,061)
Balance at the end of the period/year	**52,160**	51,657

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

16. Advances from customers

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

Movement during the period/year is as follows:

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Balance at the beginning of the period/year	**2,371,228**	2,617,811
Amounts billed during the period/year	**1,137,943**	4,230,784
Revenue recognised during the period/year	**(1,210,811)**	(4,355,622)
Other operating income recognised during the period/year	**(17,078)**	(121,745)
Balance at the end of the period/year	**2,281,282**	2,371,228

17. Bank borrowings

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Bank facilities	**246,027**	522,543
Overdrafts (note 6)	**-**	27,138
	246,027	549,681

a) At the reporting date, an amount of AED Nil (2019: AED 138 million) is outstanding with Islamic banks and the remaining balance with conventional banks.

b) Details of the Group's bank facilities are as follows:

Islamic banks and financial institutions

The Group had the following Sharia compliant financing facility with an Islamic financial institution:

- AED 250 million Ijarah facility with a commercial bank at a rate of 3 months EIBOR plus 3.25% per annum, repayable by 2020. The facility was fully repaid as at 31 March 2020.

Conventional banks and financial institutions

The Group has the following unsecured interest-bearing loans and financing facilities with conventional banks and financial institutions:

- AED 276 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2020. This loan was fully repaid as at 31 March 2020.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

17. Bank borrowings (continued)

- AED 367 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2022. Out of this, AED 121 million was repaid as at 31 March 2020.

- AED 67 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. This loan was fully repaid as at 31 March 2020.

c) As at 31 March 2020, the Group had arranged for bank facilities amounting to AED 2,245 million (2019: AED 2,245 million) in the form of letters of credit and guarantees out of which AED 1,321 million (2019: AED 1,304 million) remained unutilised as at the reporting date.

d) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 457 million (2019: AED 470 million), corporate guarantees of the Company, pledges over bank accounts and deposits aggregating to AED 378 million (2019: AED 521 million).

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

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
On demand or within one year	**121,193**	424,847
In the second and third years	**124,834**	124,834
	246,027	549,681

18. Sukuk certificates

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Sukuk certificates	**3,246,173**	3,305,686
Unamortised issue costs	**(12,516)**	(13,775)
Carrying amount	**3,233,657**	3,291,911

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

18. Sukuk certificates (continued)

Movement in unamortised issue costs is as follows:

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Balance at the beginning of the period/year	**13,775**	20,006
Amortised during the period/year	**(1,259)**	(6,231)
Balance at the end of the period/year	**12,516**	13,775

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

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

  During the period, the Group repurchased sukuk certificates carrying face value of US$ 8 million (AED 29.4 million) at a discount during the period.

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

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

  During the period, the Group repurchased sukuk certificates carrying face value of US$ 8.2 million (AED 30.1 million) at a discount during the period.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

18. Sukuk certificates (continued)

The repayment profile of sukuk certificates is as follows:

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Amount due for settlement within 12 months	**-**	-
Amount due for settlement after 12 months	**3,233,657**	3,291,911
	3,233,657	3,291,911

19. Related party transactions

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

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

	1 January to 31 March	
	2020 (3 months) (Unaudited) AED'000	2019 (3 months) (Unaudited) AED'000
Entities under the control of the Chairman		
Investment in Damac International Limited *(i)*	**-**	(21,197)
Support services fees *(ii)*	**1,209**	1,209
Loss on fair valuation of financial investment (note 10)	**13,863**	-

(i) Investment in Damac International Limited

During the period, there was no further investment by the Group in Damac International Limited (2019: AED 21 million), a related entity under the control of the Chairman (note 10).

(ii) Support services fees

During the period, the Group received AED 1.2 million (2019: AED 1.2 million) towards support services rendered to Damac International Limited and DICO Investments Co. LLC, both related entities under the control of the Chairman.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

19. Related party transactions (continued)

Remuneration of key management personnel

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

	1 January to 31 March	
	2020 (3 months) (Unaudited) AED'000	2019 (3 months) (Unaudited) AED'000
Salaries and other short-term employee benefits	**2,323**	2,623
Other long-term benefits	**121**	139
	2,444	2,762

20. Revenue

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

	1 January to 31 March	
	2020 (3 months) (Unaudited) AED'000	2019 (3 months) (Unaudited) AED'000
Over time	**1,196,715**	862,740
Point in time	**32,516**	33,652
	1,229,231	896,392

21. Other operating income

	1 January to 31 March	
	2020 (3 months) (Unaudited) AED'000	2019 (3 months) (Unaudited) AED'000
Income from cancellation of units	**17,078**	44,334
Penalties from overdue customers	**-**	3,661
Unit registration and transfer fees	**-**	2
	17,078	47,997

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

22. General, administrative and selling expenses

	1 January to 31 March	
	2020 (3 month) (Unaudited) AED'000	2019 (3 month) (Unaudited) AED'000
Staff costs	**94,805**	101,558
Selling and marketing expenses	**73,183**	76,995
Repairs and maintenance	**17,694**	11,543
Rent and license fees	**5,804**	8,305
Legal and professional	**10,422**	11,807
Travel and communication	**5,159**	5,711
Other	**14,882**	15,532
	221,949	231,451

23. Other income

	1 January to 31 March	
	2020 (3 month) (Unaudited) AED'000	2019 (3 month) (Unaudited) AED'000
Property management fees	**8,775**	13,747
Support services fees (note 19)	**1,209**	1,209
Gain on repurchase of sukuk certificates	**12,888**	-
Other	**2,746**	8,045
	25,618	23,001

24. Finance income

	1 January to 31 March	
	2020 (3 month) (Unaudited) AED'000	2019 (3 month) (Unaudited) AED'000
Islamic banks and financial institutions	**10,291**	26,194
Conventional banks and financial institutions	**10,174**	17,846
	20,465	44,040

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

25. Finance costs

	1 January to 31 March	
	2020 (3 month) (Unaudited) AED'000	2019 (3 month) (Unaudited) AED'000
Islamic banks and financial institutions	**52,750**	67,828
Conventional banks and financial institutions	**6,346**	9,621
Interest on lease liabilities	**2,252**	652
	61,348	78,101

26. Contingent liabilities

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Bank guarantees	**923,567**	941,370

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 March 2020.

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

27. Commitments

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

	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Contracted for	**2,445,407**	3,322,778

Operating lease commitments – Group as a lessor

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

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2020 (continued)

28. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

	1 January to 31 March	
	2020	2019
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
(Loss)/ profit for the period (AED'000)	**(106,127)**	31,056
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	**(0.0175)**	0.0051

29. Comparative figures

Previous period/ year's figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current period. These regroupings and reclassifications are not material.

30. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements for the three month period ended 31 March 2020 was approved by the Board of Directors and authorised for issue on 21 May 2020.