Damac Properties Dubai Co. PJSC
Dubai – United Arab Emirates

Review report and
unaudited interim financial information
for the nine month period ended
30 September 2019

Damac Properties Dubai Co. PJSC
Unaudited interim financial information
for the nine month period ended 30 September 2019

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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 30 September 2019, 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 nine months 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*".

BDO CHARTERED ACCOUNTANTS & ADVISORS
Mohamed Afzal Koya Ali
Reg. No. 522
Dubai
12 November 2019

محاسبون قانونيون ومستشارون
BDO CHARTERED ACCOUNTANTS & ADVISORS
P.O.Box 1961 DUBAI
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Condensed consolidated statement of financial position as at 30 September 2019

	Notes	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
ASSETS			
Right-of-use assets	3.1	**100,663**	-
Property and equipment	6	**129,958**	140,749
Investment properties	7	**182,803**	188,896
Development properties	8	**9,954,982**	9,214,522
Other financial assets	9	**850,907**	1,055,267
Trade and other receivables	10	**7,884,471**	8,120,233
Financial investment	11	**367,270**	283,073
Cash and bank balances	12	**4,991,091**	6,173,522
Total assets		**24,462,145**	25,176,262
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**6,050,000**	6,050,000
Statutory reserve		**903,497**	903,497
Retained earnings		**7,288,837**	7,156,234
Total equity		**14,242,334**	14,109,731
Liabilities			
Bank borrowings	14	**676,046**	667,213
Sukuk certificates	15	**3,290,652**	4,280,434
Advances from customers	16	**2,839,049**	2,617,811
Lease liabilities	3.1	**106,659**	-
Trade and other payables	17	**3,307,405**	3,501,073
Total liabilities		**10,219,811**	11,066,531
Total equity and liabilities		**24,462,145**	25,176,262

Chairman

Director

The accompanying notes on pages 6 to 24 form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income for the nine month period ended 30 September 2019

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2019	2018	**2019**	2018
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		AED'000	AED'000	**AED'000**	AED'000
Continuing operations					
Revenue		**895,364**	1,543,120	**2,762,825**	5,222,403
Cost of sales		**(559,837)**	(1,080,123)	**(1,924,846)**	(3,371,372)
Gross profit		**335,527**	462,997	**837,979**	1,851,031
Other operating income		**12,479**	36	**105,691**	5,109
General, administrative and selling expenses	19	**(268,944)**	(199,000)	**(738,851)**	(663,937)
Depreciation on right-of-use assets	3.1	**(8,205)**	-	**(24,615)**	-
Depreciation on property and equipment and investment properties	6,7	**(9,029)**	(6,832)	**(23,280)**	(21,591)
Operating profit		**61,828**	257,201	**156,924**	1,170,612
Other income		**18,974**	13,375	**73,235**	40,482
Finance income	20	**35,746**	43,819	**121,387**	126,326
Finance costs	21	**(65,576)**	(83,615)	**(218,943)**	(244,581)
Profit for the period from continuing operations		**50,972**	230,780	**132,603**	1,092,839
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		**50,972**	230,780	**132,603**	1,092,839
Earnings per share					
Basic and diluted (AED)	24	**0.01**	0.04	**0.02**	0.18

The accompanying notes on pages 6 to 24 form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity
for the nine month period ended 30 September 2019

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018 (Audited)	6,050,000	802,313	7,013,024	13,865,337
Total comprehensive income for the period (Unaudited)	-	-	1,092,839	1,092,839
Dividend (note 25)	-	-	(907,500)	(907,500)
Balance at 30 September 2018 (Unaudited)	**6,050,000**	**802,313**	**7,198,363**	**14,050,676**
Balance at 1 January 2019 (Audited)	6,050,000	903,497	7,156,234	14,109,731
Total comprehensive income for the period (Unaudited)	-	-	132,603	132,603
Balance at 30 September 2019 (Unaudited)	**6,050,000**	**903,497**	**7,288,837**	**14,242,334**

The accompanying notes on pages 6 to 24 form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows
for the nine month period ended 30 September 2019

	1 January to 30 September	
	2019	2018
	(9 month)	(9 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**132,603**	1,092,839
Adjustments for:		
Depreciation on property and equipment and investment properties (note 6 and 7)	**23,280**	21,591
Depreciation on right-of-use assets (note 3.1)	**24,615**	-
Provision for employees' end-of-service indemnity (note 17)	**8,829**	10,780
Amortisation of issue costs on sukuk certificates (note 15)	**4,972**	10,630
Loss on disposal of property and equipment	**881**	-
Reversal of impairment of trade and other receivables (note 19)	**(764)**	(79,954)
Finance costs (note 21)	**218,943**	244,581
Finance income (note 20)	**(121,387)**	(126,326)
Operating cash flows before changes in operating assets and liabilities	**291,972**	1,174,141
Decrease/(increase) in trade and other receivables	**233,849**	(1,444,416)
(Increase)/decrease in development properties	**(740,460)**	713,536
Decrease in trade and other payables	**(237,635)**	(74,419)
Increase/(decrease) in advances from customers	**221,238**	(654,942)
Employee end-of-service indemnity paid (note 17)	**(9,089)**	(9,058)
Net cash generated from operating activities	**(240,125)**	(295,158)
Cash flows from investing activities		
Purchases of property and equipment (note 6)	**(7,277)**	(7,862)
Increase in financial investment (note 11)	**(84,197)**	(20,400)
Decrease/(increase) in other financial assets	**204,360**	(119,779)
Decrease in deposits with an original maturity of greater than three months	**155,007**	802,373
Interest received	**124,064**	142,841
Net cash generated from investing activities	**391,957**	797,173
Cash flows from financing activities		
Proceeds from bank borrowings	**220,319**	275,329
Repayment of bank borrowings	**(211,486)**	(348,678)
Proceeds from the issuance of sukuk certificates – net	-	1,460,335
Redemption and repurchase of sukuk certificates	**(994,754)**	(1,126,969)
Dividend paid	-	(907,500)
Repayment for principal portion of lease liabilities	**(18,620)**	-
Finance costs paid	**(174,715)**	(167,915)
Net cash used in financing activities	**(1,179,256)**	(815,398)
Net (decrease)/ increase in cash and cash equivalents	**(1,027,424)**	(313,383)
Cash and cash equivalents at the beginning of the period	**5,542,889**	5,876,667
Cash and cash equivalents at the end of the period (note 12)	**4,515,465**	5,563,284

The accompanying notes on pages 6 to 24 form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the nine month period ended 30 September 2019

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 wholly owned subsidiary Damac Real Estate Development Limited, DIFC(DRED) (collectively the "Group") are involved mainly in the development of properties in the Middle East.

2. Basis of preparation

These 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.

These 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 2018. In addition, results for the period from 1 January 2019 to 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 assets.

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 statement of profit or loss and other comprehensive income for the nine month period ended 30 September 2019 is not significantly affected by seasonality of the results.

The condensed consolidated financial statements has been prepared in Arab Emirates Dirhams ("AED") which is the Group's functional and presentation currency, and all values are rounded to the nearest thousands, except otherwise indicated.

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 2018, 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. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations

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

The Group adopted IFRS 16 'Leases' which replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group's financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right-to-use leased asset is capitalised at an amount which is generally equivalent to the present value of the future lease payments plus directly attributable costs and this amount is amortised over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard and the prior period condensed consolidated statement of financial position has not been restated. During the first-time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first application. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognised lease liabilities as of 1 January 2019:

	AED'000
Operating lease commitments (note 23)	245,299
Discounted using the Group's incremental borrowing rate at the date of initial application	(120,021)
Lease liability recognised as at 1 January 2019	**125,278**

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The net impact on the retained earnings at 1 January 2019 was nil.

	30 September 2019 AED'000	1 January 2019 AED'000
Total right-of-use assets	**100,663**	125,278
Total lease liabilities	**106,659**	125,278

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations (continued)

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000
Depreciation expense on right-of-use assets	**8,205**	-	**24,615**	-
Interest on lease liabilities (note 21)	**2,725**	-	**8,621**	-

The Group's leasing activities as a lessee and how these are accounted for:

Before 1 January 2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the condensed consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the condensed consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations (continued)

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

The Group's leasing activities as a lessee and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the condensed consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture and vehicles.

Impact on Lessor Accounting

The Group, as a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. This does not have an impact on the Group as it has no finance leases as a lessor outside the Group.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

3. Summary of significant accounting policies (continued)

3.1 New standards, amendments and interpretations (continued)

(b) New standards, amendments and interpretations - not effective for the financial year beginning 1 January 2019 and not early adopted by the Group

New and revised IFRSs	***Effective for annual periods beginning on or after***
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRS 14 *Regulatory Deferral Accounts*, IAS 1 *Presentation of Financial Statements*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 34 *Interim Financial Reporting*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets*, IFRIC 12 *Service Concession Arrangements*, IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, IFRIC 22 *Foreign Currency Transactions and Advance Considerations*, and SIC-32 *Intangible Assets – Web Site Costs* to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business.	1 January 2020
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to definition of material.	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

3. Summary of significant accounting policies (continued)

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%

As required by Securities and Commodities Authority circular no. 411/2018 dated 07 July 2018, the Group does not have any investment in Abraaj Group.

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 2018.

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

Changes in judgements and estimation uncertainty

The critical judgements and estimates used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 except for the changes highlighted below:

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Change in useful life of buildings

The useful life considered to depreciate buildings relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. During the period, the entity has changed the estimated useful life of buildings from 25 to 10 years. The total comprehensive income per quarter would be reduced by AED 1.4 million due to this change until 31 December 2028.

5. Segment analysis

Information reported to the Board for the purpose of the resource allocation and assessment of performance is primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations. The Group currently comprises a single reportable operating segment, being property development.

5. Segment analysis (continued)

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000
Revenue				
Domestic	**873,868**	817,890	**2,676,946**	4,453,782
International	**21,496**	725,230	**85,879**	768,621
	895,364	1,543,120	**2,762,825**	5,222,403

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Development properties		
Domestic	**8,931,231**	8,172,378
International	**1,023,751**	1,042,144
	9,954,982	9,214,522

6. 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 2018 (Audited)	91,858	76,890	110,106	5,308	284,162
Additions	-	4,082	6,883	-	10,965
Disposals	-	(4,224)	(1,187)	(751)	(6,162)
At 31 December 2018 (Audited)	91,858	76,748	115,802	4,557	288,965
Additions	139	1,474	3,193	2,471	7,277
Disposals	-	-	(883)	(222)	(1,105)
At 30 September 2019 (Unaudited)	**91,997**	**78,222**	**118,112**	**6,806**	**295,137**

Notes to the condensed consolidated financial statements
for the nine month period ended 30 September 2019 (continued)

6. 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 2018 (Audited)	3,103	59,674	67,544	3,389	133,710
Charge for the year	3,724	3,166	12,378	689	19,957
Disposals	-	(4,014)	(756)	(681)	(5,451)
At 31 December 2018 (Audited)	6,827	58,826	79,166	3,397	148,216
Charge for the period	6,378	2,381	8,145	283	17,187
Disposals	-	-	(156)	(68)	(224)
At 30 September 2019 (Unaudited)	**13,205**	**61,207**	**87,155**	**3,612**	**165,179**
Carrying value					
At 30 September 2019 (Unaudited)	**78,792**	**17,015**	**30,957**	**3,194**	**129,958**
At 31 December 2018 (Audited)	85,031	17,922	36,636	1,160	140,749

7. Investment properties

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

Movement during the period/year is as follows:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Balance at the beginning of the period/year	**188,896**	197,021
Depreciation for the period/year	**(6,093)**	(8,125)
Balance at the end of the period/year	**182,803**	188,896

8. Development properties

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Balance at the beginning of the period/year	**9,214,522**	9,643,051
Additions	**2,652,124**	3,639,059
Transfer to cost of sales	**(1,911,664)**	(3,998,731)
Disposal of a subsidiary	-	(14,711)
Provision for impairment	-	(54,146)
Balance at the end of the period/year	**9,954,982**	9,214,522

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:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Land held for future development	**783,138**	576,908
Properties under development	**7,063,272**	6,546,544
Completed properties	**2,108,572**	2,091,070
	9,954,982	9,214,522

9. Other financial assets

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Escrow retention accounts	**833,622**	1,019,836
Margin deposits	**15,161**	33,426
Other	**2,124**	2,005
	850,907	1,055,267

9. Other financial assets (continued)

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 30 September 2019, 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 465 million (31 December 2018: AED 646 million) is held with Islamic banks and the remaining balance is held with conventional banks.

10. Trade and other receivables

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Unbilled receivables *(i)*	**4,075,415**	4,447,471
Trade receivables *(ii)*	**3,034,912**	2,775,209
Provision for impairment on trade receivables	**(23,281)**	(24,108)
	7,087,046	7,198,572
Advances and deposits	**636,082**	778,766
Other receivables, prepayments and other assets	**161,343**	142,895
	7,884,471	8,120,233

(i) Unbilled receivables 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.

11. Financial investment

During the period, the Group increased its investment in Damac International Limited, a related entity whose principal activity is property development, from AED 283 million to AED 367 million (2018: from AED 263 million to AED 283 million) which represents a 20% (2018: 20%) equity interest in the related entity.

Notes to the condensed consolidated financial statements
for the nine month period ended 30 September 2019 (continued)

12. Cash and bank balances

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Cash on hand	2,437	1,468
Cash held in escrow	3,713,318	5,127,448
Bank balances	256,655	74,858
Fixed deposits	1,018,681	969,748
Cash and bank balances	4,991,091	6,173,522
Fixed deposits with an original maturity of greater than three months	(475,626)	(630,633)
Cash and cash equivalents	4,515,465	5,542,889

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.

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% (2018: 1% to 6%) per annum.

At the reporting date, fixed deposits and bank balances of AED 461 million (2018: AED 200 million) are held by banks under lien against credit facilities issued to the Group.

At the reporting date, an amount of AED 2,257 million (2018: AED 3,487 million) is held with Islamic banks and the remaining balance is held with conventional banks.

13. Share capital

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Issued, subscribed and fully paid shares of AED 1 each	6,050,000	6,050,000

14. Bank borrowings

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Bank facilities	**676,046**	667,213
	676,046	667,213

a) At the reporting date, an amount of AED 168 million (2018: AED 194 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 has 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. Out of this, AED 82 million was repaid as at 30 September 2019.

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 by 2020. Out of this, AED 138 million was repaid as at 30 September 2019.
- AED 367 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2022.
- AED 67 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. Out of this, AED 64 million was repaid as at 30 September 2019.

c) As at 30 September 2019, the Group had arranged for bank facilities amounting to AED 2,057 million (2018: AED 1,972 million) in the form of letters of credit and guarantees out of which AED 1,027 million (2018: AED 754 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 598 million (2018: AED 598 million), corporate guarantees of the Company and pledges over bank accounts and deposits of AED 247 million (2018: AED 200 million).

14. Bank borrowings (continued)

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

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
On demand or within one year	**430,019**	237,201
In the second and third years	**246,027**	430,012
	676,046	667,213

15. Sukuk certificates

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Sukuk certificates	**3,305,686**	4,300,440
Unamortised issue costs	**(15,034)**	(20,006)
Carrying amount	**3,290,652**	4,280,434

Movement in unamortised issue costs is as follows:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Balance at the beginning of the period/year	**20,006**	21,460
Incurred during the period/year	**-**	11,282
Amortised during the period/year	**(4,972)**	(12,736)
Balance at the end of the period/year	**15,034**	20,006

- On 9 April 2014, the Group issued US$ 650 million (AED 2,389 million) Sukuk Trust Certificates (the "Certificates") maturing in 2019. Alpha Star Holding 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.

15. Sukuk certificates (continued)

The Certificateholders are paid returns at the rate of 4.97% per annum.

On 20 April 2017, the Group repurchased sukuk certificates worth US$ 197.7 million (AED 727 million) at a premium. On 19 April 2018, the Group repurchased sukuk certificates worth US$ 181 million (AED 667 million) at a premium. On 9 April 2019, the Group repaid outstanding balance of US$ 271.3 million (AED 995 million). The Group has fully repaid its obligation on or before schedule with the aforementioned payment.

- 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.

- 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.

The repayment profile of sukuk certificates is as follows:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Amount due for settlement within 12 months	**-**	993,324
Amount due for settlement after 12 months	**3,290,652**	3,287,110
	3,290,652	4,280,434

16. Advances from customers

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

Movement during the period/year is as follows:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Balance at the beginning of the period/year	**2,617,811**	3,274,496
Amounts billed during the period/year	**3,033,870**	5,504,120
Revenue recognised during the period/year	**(2,712,097)**	(6,070,137)
Other operating income recognised during the period/year	**(100,535)**	(90,668)
Balance at the end of the period/year	**2,839,049**	2,617,811

17. Trade and other payables

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Trade payables	**970,773**	883,151
Accruals	**1,096,638**	1,036,997
Retentions payable *(i)*	**974,953**	944,702
Deferred consideration payable for land	**75,000**	360,000
Other payables	**140,581**	226,503
Provision for employees' end-of-service indemnity *(ii)*	**49,460**	49,720
	3,307,405	3,501,073

(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:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Balance at the beginning of the period/year	**49,720**	47,562
Charge for the period/year	**8,829**	13,921
Payments during the period/year	**(9,089)**	(11,763)
Balance at the end of the period/year	**49,460**	49,720

Notes to the condensed consolidated financial statements for the nine month period ended 30 September 2019 (continued)

18. 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 30 September	
	2019	2018
	(9 months)	(9 months)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Entities under the control of the Chairman		
Investment in Damac International Limited *(i)*	**(84,197)**	(20,400)
Support services fees *(ii)*	**3,627**	3,647
Purchase of land plot *(iii)*	**(285,000)**	-

(i) Investment in Damac International Limited:

During the period, the Group increased its investment in Damac International Limited by AED 84.1 million (2018: AED 20.4 million), a related entity under the control of the Chairman (Note 11).

(ii) Support services fees:

During the period, the Group received AED 3.6 million (2018: AED 3.6 million) towards support services rendered to Damac International Limited and DICO Investments Co. LLC, both related entities under the control of the Chairman.

(iii) Purchase of land plot:

On 8 September 2019, the Group signed a share purchase agreement ("SPA") to acquire 100% of the issued share capital of Zenica Property Development LLC and Pathfinder Property Development LLC (the "Special Purpose Vehicles" or "SPVs" incorporated in Dubai each owning a plot of land) from DICO Property CO. LLC, a related party. The cost of the acquisition amounted to AED 285 million, determined based on the relative fair values of the land plots as at the date of purchase

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 30 September	
	2019 (9 months) (Unaudited) AED'000	2018 (9 months) (Unaudited) AED'000
Salaries and other short-term employee benefits	**8,054**	8,683
Other long term benefits	**418**	368
	8,472	9,051

19. General, administrative and selling expenses

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000
Staff costs	**91,549**	117,840	**284,883**	362,649
Selling and marketing expenses	**101,482**	60,469	**257,480**	220,070
Repairs and maintenance	**24,398**	16,655	**54,232**	36,644
Rent and license fees	**5,444**	7,877	**24,703**	24,927
Legal and professional	**19,703**	6,111	**42,232**	30,455
Travel and communication	**10,557**	10,453	**24,683**	27,064
Reversal of impairment on trade receivables	**292**	(37,311)	**(764)**	(79,954)
Other	**15,519**	16,906	**51,402**	42,082
	268,944	199,000	**738,851**	663,937

20. Finance income

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000
Islamic banks and financial institutions	**20,968**	27,360	**77,238**	72,221
Conventional banks and financial institutions	**14,778**	16,459	**44,149**	54,105
	35,746	43,819	**121,387**	126,326

21. Finance costs

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 (Unaudited) AED'000	2018 (Unaudited) AED'000	**2019 (Unaudited) AED'000**	2018 (Unaudited) AED'000
Islamic banks and financial institutions	**55,294**	75,264	**176,983**	210,816
Conventional banks and financial institutions	**7,557**	8,351	**33,339**	33,765
Interest on lease liabilities	**2,725**	-	**8,621**	-
	65,576	83,615	**218,943**	244,581

22. Contingent liabilities

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Bank guarantees	**1,029,899**	1,218,555

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 reporting date.

23. Commitments

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

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Contracted for	**3,659,750**	4,585,581

There were certain claims submitted by the contractors in lieu of various construction projects in the ordinary course of business. The Group has assessed that no material unprovided liabilities will arise as at reporting date.

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.

24. 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.

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Profit for the period (AED'000)	**50,972**	230,780	**132,603**	1,092,839
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000	**6,050,000**	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	**0.01**	0.04	**0.02**	0.18

25. Dividend

On 22 April 2018 the Company held its annual general meeting which among other things, approved a cash dividend equal to 0.15 per share amounting to AED 907.5 million. The dividend was paid on 15 May 2018.

26. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements for the nine month period ended 30 September 2019 was approved by the Board of Directors and authorised for issue on 12 November 2019.