

**DAMAC Real Estate Development Limited, DIFC
Dubai – United Arab Emirates**

**Review report and
unaudited interim financial information**

For the six month period ended 30 June 2020

DAMAC Real Estate Development Limited, DIFC
Unaudited interim financial information
For the six-month period ended 30 June 20

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Damac Real Estate Development, DIFC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Damac Real Estate Development, DIFC (“the Company”) and its subsidiaries (together the “Group”) as at 30 June 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 six 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

Dubai

12 August 2020

Condensed consolidated statement of financial position
as at 30 June 2020

	Notes	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
ASSETS			
Cash and bank balances	6	1,205.7	1,264.1
Trade and other receivables	7	2,083.2	2,179.6
Development properties	8	2,443.2	2,592.4
Other financial assets	9	196.4	236.8
Financial investment	10	105.6	100.6
Right-of-use assets	11	20.7	25.2
Property and equipment	12	33.2	34.8
Investment properties	13	48.1	49.2
Total assets		6,136.1	6,482.7
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,083.0	1,083.0
Statutory reserve		41.3	41.3
Retained earnings		2,599.5	2,704.7
Fair value reserve		(11.8)	-
Total equity		3,712.0	3,829.0
Liabilities			
Trade and other payables	15	892.3	937.8
Advances from customers	16	567.9	645.2
Lease liabilities	11	21.3	25.3
Bank borrowings	17	66.9	149.6
Sukuk certificates	18	875.7	895.8
Total liabilities		2,424.1	2,653.7
Total equity and liabilities		6,136.1	6,482.7



Chief Executive Officer



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 six month period ended 30 June 2020**

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Continuing operations					
Revenue	20	311.0	264.3	645.5	508.2
Cost of sales		(242.9)	(193.5)	(492.3)	(371.4)
Gross profit		68.1	70.8	153.2	136.8
Other operating income	21	5.8	12.3	10.4	25.2
General, administrative and selling expenses	22	(36.3)	(65.2)	(96.7)	(128.0)
Amortisation of right-of-use assets	11	(2.3)	(2.3)	(4.5)	(4.5)
Depreciation	12,13	(1.9)	(1.5)	(4.0)	(3.7)
Provision for impairment on development properties	8	(83.7)	-	(119.1)	-
(Provision)/ reversal of impairment on trade receivables	7	(33.3)	0.3	(47.6)	0.3
Operating profit/(loss)		(83.6)	14.4	(108.3)	26.1
Gain on sale of financial investments at fair value through profit or loss (FVTPL)	10	17.8	-	17.8	-
Other income	23	3.9	8.5	10.9	14.7
Finance income	24	2.5	11.3	8.1	23.3
Loss on fair value of financial investment at FVTPL	10	(0.8)	-	(0.8)	-
Finance costs	25	(16.2)	(20.4)	(32.9)	(41.7)
(Loss) / profit for the period		(76.4)	13.8	(105.2)	22.4
Other comprehensive income:					
Item that will not be reclassified to profit or loss					
Valuation loss on financial investment measured at fair value through other comprehensive income (FVOCI)		(8.0)	-	(11.8)	-
Total comprehensive income for the period		(84.4)	13.8	(117.0)	22.4
Earnings per share					
Basic and diluted (US\$)	28	(0.0705)	0.0127	(0.0971)	0.0207

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

**Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2020**

	Share capital US\$ Million	Statutory reserve US\$ Million	Retained earnings US\$ Million	Fair value reserve US\$ Million	Total US\$ Million
Balance at 1 January 2019 (Audited)	1,083.0	41.3	2,714.4	-	3,838.7
Profit for the period	-	-	22.4	-	22.4
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	22.4	-	22.4
Balance at 30 June 2019 (Unaudited)	1,083.0	41.3	2,736.8	-	3,861.1
Balance at 1 January 2020 (Audited)	1,083.0	41.3	2,704.7	-	3,829.0
Loss for the period	-	-	(105.2)	-	(105.2)
Other comprehensive Income	-	-	-	(11.8)	(11.8)
Total comprehensive income for the period (Unaudited)	-	-	(105.2)	(11.8)	(117.0)
Balance at 30 June 2020 (Unaudited)	1,083.0	41.3	2,599.5	(11.8)	3,712.0

Condensed consolidated statement of cash flows
for the six month period ended 30 June 2020

	1 January to 30 June	
	2020	2019
	(6 month)	(6 month)
	(Unaudited)	(Unaudited)
	US\$ Million	US\$ Million
Cash flows from operating activities		
(Loss) / profit for the period	(105.2)	22.4
<i>Adjustments for:</i>		
Depreciation on property and equipment and investment properties (notes 12 and 13)	4.0	3.7
Amortisation on right-of-use assets (note 11)	4.5	4.5
Provision for employees' end-of-service indemnity (note 15)	1.4	1.6
Amortisation of issue costs on sukuk certificates (note 18)	0.6	0.8
Provision for impairment on development properties (note 8)	119.1	-
Provision/ (reversal) of impairment on trade receivables (note 7)	47.6	(0.3)
Finance costs (note 25)	32.9	41.7
Finance income (note 24)	(8.1)	(23.3)
Loss on fair value of financial investment at fair value through profit or loss (note 10)	0.8	-
Gain on sale of financial investments at fair value through profit or loss (note 10)	(17.8)	-
Gain on repurchase of sukuk certificates (note 23)	(4.4)	-
Operating cash flows before changes in operating assets and liabilities	75.4	51.1
Decrease in trade and other receivables	48.0	18.5
Decrease/(increase) in development properties	30.1	(59.4)
(Decrease)/increase in trade and other payables	(45.6)	26.0
(Decrease)/increase in advances from customers	(77.3)	26.3
Employee end-of-service indemnity paid (note 15)	(1.3)	(2.1)
Net cash generated from operating activities	29.3	60.4
Cash flows from investing activities		
Purchases of property and equipment (note 12)	(1.4)	(0.7)
Acquisition of financial investment through other comprehensive income (note 10)	-	(16.2)
Proceeds from sale of financial investment through profit or loss (note 10)	81.9	-
Decrease in other financial assets	40.4	58.2
(Increase)/decrease in deposits with an original maturity of greater than three months	(27.0)	34.6
Interest received	8.9	24.9
Acquisition of financial investment through profit or loss (note 10)	(81.7)	-
Net cash generated from investing activities	21.1	100.8
Cash flows from financing activities		
Proceeds from bank borrowings	-	59.9
Repayment of bank borrowings	(75.2)	(52.7)
Redemption and repurchase of sukuk certificates	(16.3)	(270.7)
Repayment for principal portion of lease liabilities	(4.1)	(3.3)
Finance costs paid	(32.8)	(43.6)
Net cash generated from financing activities	(128.4)	(310.4)
Net decrease in cash and cash equivalents during the period	(78.0)	(149.2)
Cash and cash equivalents at the beginning of the period	1,124.1	1,508.2
Cash and cash equivalents at the end of the period (note 6)	1,046.1	1,359.0

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

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

1. General information

DAMAC Real Estate Development Limited, DIFC was incorporated on 31 October 2013 as a Company Limited by shares (registration number 1476) with the Registrar of Companies of the Dubai International Financial Centre (the “DIFC”) under the Companies Law, DIFC Law No. 2. The registered address of the Company is Office No. 206A, Level 2, Park Towers, Dubai International Financial Centre, P.O. Box 2195, Dubai, United Arab Emirates (U.A.E.).

The Company is 100% owned by Damac Properties Dubai Co. PJSC (the “Parent”) whose majority shareholder is Mr. Hussain Ali Habib Sajwani (the “Chief Executive Officer”).

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 six month period ended 30 June 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 30 June 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.

**Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020**

2.2 Basis of preparation (continued)

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.

The condensed consolidated statement of profit or loss and other comprehensive income for the six month period ended 30 June 2020 is not significantly affected by seasonality of the results.

The condensed consolidated financial statements has been prepared in United States Dollars (“US\$”) which is the Group’s presentation currency. The individual financial statements of the Group entities are prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency). All values are rounded to the nearest millions, 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 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

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

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)
- 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.
- *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 which in total are 88 (2019: 88) companies (together the “Group”):

<u>Name of the entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Damac Crescent Properties Co LLC	U.A.E.	Real estate development	0%	100%
Damac Luxury Real Estate Properties Co LLC	U.A.E.	Real estate development	100%	100%
Damac Heritage Properties Co LLC	U.A.E.	Real estate development	100%	100%
Damac General Trading LLC	U.A.E.	Holding company	0%	100%
Al Bawader Real Estate LLC	U.A.E.	Sales office	100%	100%
Frontline Investment Management Co. LLC	U.A.E.	Real estate development	100%	100%
Al Aman Investment Management Co. LLC	U.A.E.	Holding company	100%	100%
Business Tower Investment LLC	U.A.E.	Real estate development	100%	100%
Damac Enterprises & Management Co. LLC	U.A.E.	Trade marks	100%	100%

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

3. Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

<u>Name of the entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Sound Media And Marketing LLC	U.A.E.	Marketing and public relations	100%	
Damac Properties Development Co LLC	U.A.E.	Holding company	100%	100%
Damac Properties Co. LLC	U.A.E.	Holding company	100%	100%
Marina Terrace Co. LLC	U.A.E.	Real estate development	100%	100%
Damac Gulf Properties LLC	U.A.E.	Real estate development	100%	100%
Lake Terrace Co. LLC	U.A.E.	Real estate development	100%	100%
Royal Crown Properties Co. LLC	U.A.E.	Holding company	100%	100%
Damac Star Properties LLC	U.A.E.	Real estate development	100%	100%
Island Oasis Properties LLC	U.A.E.	Real estate development	100%	100%
Damac Crescent Properties LLC	U.A.E.	Real estate development	100%	100%
Damac Development LLC	U.A.E.	Real estate development	100%	100%
Luxury Facilities Management LLC	U.A.E.	Facilities management	100%	100%
Damac Tuscan Residence LLC	U.A.E.	Holding company	100%	100%
Global Properties Company Limited	U.A.E.	Real estate development	0%	100%
Middle East Properties Company Limited	U.A.E.	Real estate development	0%	100%
Damac Fortune Properties Company Limited	U.A.E.	Real estate development	0%	100%
Damac Lake View Company Limited	U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Park Towers Company Limited	U.A.E.	Real estate development	100%	100%
Excel Operations Company Limited	U.A.E.	Holding company	100%	100%
Damac Crown Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
Damac Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
Damac Properties Lebanon SAL	Lebanon	Real estate development	100%	100%
Damac Properties International Limited	Mauritius	Holding company	100%	100%
Damac Enterprises Co. Ltd	Mauritius	Trade marks	100%	100%
Damac Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
The Waves FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Real Estate Developers FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Properties FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Real Estate Services Co. LLC	U.A.E.	Holding company	100%	100%
Namaa Properties Development LLC	U.A.E.	Real estate development	100%	100%
Damac Homes LLC	U.A.E.	Group treasury operation	100%	100%
Kings Valley Investment Co LLC	U.A.E.	Holding company	100%	100%

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

3. Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

<u>Name of the entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Damac Properties Services Co. Shj LLC	U.A.E.	Sales office	49%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Real estate development	0%	100%
Global Realtors LLC	U.A.E.	Sales office	100%	100%
Damac Properties Qatar WLL	Qatar	Real estate development	0%	100%
Ocean Pearl Real Estate Company LLC	U.A.E.	Real estate development	100%	100%
Bright Gulf Investments Limited	BVI	Investment company	100%	100%
Luxury Owner Association Management Services Co. LLC	U.A.E.	Facilities management	100%	100%
Majara Investments Limited	BVI	Investment company	100%	100%
Arjann Holdings Limited	BVI	Investment company	100%	100%
Alpha Star Holding Limited	Cayman Islands	Holding company	0%	100%
Priority Holding Limited	Cayman Islands	Trust arrangement	100%	100%
Maksab Holding Limited	BVI	Holding company	100%	100%
Damac Hotels & Resorts Management LLC	U.A.E.	Hotels management	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Damac Oxygen Properties Development LLC	U.A.E.	Trust arrangement	100%	100%
Damac FC Holding Co Ltd	U.A.E.	Holding company	100%	100%
Damac Private Real Estate Management LLC	U.A.E.	Investment company	100%	100%
Damac Business Village LLC	U.A.E.	Sales office	100%	100%
Damac World Real Estate LLC	U.A.E.	Sales office	100%	100%
Guangzhou Advance Consulting Service Limited.	China	Sales office	0%	100%
Damac Canal One Property Development LLC	U.A.E.	Real estate development	100%	100%
Damac Canal Two Property Development LLC	U.A.E.	Real estate development	100%	100%
Damac Luxury Vacation Club LLC	U.A.E.	Vacation homes rental	100%	100%
JA Parks LLC	U.A.E.	Real estate development	100%	100%
Al Bawader Real Estate Broker WLL	Kuwait	Sales office	100%	100%
Damac Asset Management LLC	U.A.E.	Property leasing	100%	100%
Damac International Golf Club LLC	U.A.E.	Golf club	100%	100%
Quanta Real Estate LLC	U.A.E.	Sales office	100%	100%
Alpha Star Holding III Limited	Cayman Islands	Trust arrangement	0%	100%
Damac Community Management LLC	U.A.E.	Real estate management	100%	100%

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

3. Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

<u>Name of the entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Legal interest</u>	<u>Economic interest</u>
Avitus Investments LLC	U.A.E.	Shell Company	100%	100%
Alpha Star Holding V Limited	Cayman Islands	Trust arrangement	0%	100%
Luxury Owners Association Management Services Co. LLC (DMCC Branch)	U.A.E.	Facilities management	100%	100%
Damac Hills Properties Development LLC	U.A.E.	Real estate development	100%	100%
M H S Sports Academy LLC (One Person Company)	U.A.E.	Sports activities, tennis training	100%	100%
RICA Marketing and Support Service LLP	India	Marketing and public relations	100%	100%
Luxury Owners Association Management Services SAL	Lebanon	Facilities management	100%	100%
Protus Hotel LLC	U.A.E.	Hotels management	100%	100%
Dov Luxury Co LLC	U.A.E.	Real estate development	100%	100%
Damac Casa Co LLC	U.A.E.	Real estate development	100%	100%
Pathfinder Property Development LLC	U.A.E.	Real estate development	100%	100%
Zenica Property Development LLC	U.A.E.	Real estate development	100%	100%
Remus Hotel LLC*	U.A.E.	Hotels management	100%	100%

* These are newly incorporated or acquired entity that became part of the Group during the period. During the year, the Group liquidated following subsidiaries;

<u>Entity</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Alpha Star Holding IV Limited	Cayman Island	Trust arrangement
Bright Rose Investment LLC	U.A.E.	Investment company
Bright Planet Investment LLC	U.A.E.	Investment company
Color Sky Investment LLC	U.A.E.	Investment company
Bright Sky Investments LLC	U.A.E.	Investment company

There are certain entities included in the table above for which the Group's legal ownership has been less than 100%. These are entities whose shares have been held for and on behalf of the Parent and for each such entity the Parent's economic interest is 100%.

The beneficial ownership of the above entities is with the Group either directly or indirectly through beneficial ownership agreements. All balances and transactions between Group entities consolidated in these consolidated financial statements have been eliminated upon consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

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.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

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.

The Group continues to assess the impact of Covid-19 on its operations on a regular basis. However, the outbreak is evolving rapidly, 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 in Damac International Limited 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 30 June 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 US\$ 11.8 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.

Financial investments held in quoted equity securities are measured at fair value through profit or loss. At 30 June 2020, Group assessed the fair value through quoted prices in active markets.

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, outstanding from its customers.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

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

Impairment of trade and other receivables (continued)

Based on these factors, the Group has reviewed the expected credit loss on trade and other receivables and charged loss allowances of US\$ 47.6 million to the statement of profit or loss and other comprehensive income for the six month period ended 30 June 2020.

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 this 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 US\$ 119.1 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.

Classification of development properties

The Group classifies its development properties into "land held for future development", "properties under development" and "completed properties held in inventory". These categories are based on judgment whether the management intends to develop the property in the near future. During the period, the management has assessed that certain properties which were earlier categorised as "properties under development" will not be considered for development in the near future and hence the Group has reclassified these properties from "properties under development" to "land held for future development". This has resulted in an increased impairment provision during the three month period ended 30 June 2020.

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".

	Three month period		Six month period	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$ Million	US\$ Million	US\$ Million	US\$ Million
<u>Revenue</u>				
Domestic	310.7	255.8	636.3	490.6
International	0.3	8.5	9.2	17.6
	311.0	264.3	645.5	508.2

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

5. Segment analysis (continued)

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
<u>Development properties</u>		
Domestic	2,167.8	2,319.7
International	275.4	272.7
	2,443.2	2,592.4

6. Cash and bank balances

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Cash on hand	0.7	0.5
Cash held in escrow	759.6	937.7
Bank balances	109.2	22.9
Fixed deposits	336.2	303.0
	1,205.7	1,264.1
Cash and bank balances	1,205.7	1,264.1
Fixed deposits with an original maturity of greater than three months	(159.6)	(132.6)
Bank overdrafts (note 17)	-	(7.4)
	1,046.1	1,124.1

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 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 US\$ 179 million (31 December 2019: US\$ 135 million) are held by banks under lien against credit facilities issued to the Group.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

6. Cash and bank balances (continued)

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 US\$ 658 million (31 December 2019: US\$ 635 million) is held with Islamic banks and the remaining balance is held with conventional banks.

7. Trade and other receivables

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Unbilled receivables (i)	966.5	1,173.8
Trade receivables (ii)	952.4	806.8
Provision for impairment on trade receivables (iii)	(65.4)	(17.8)
	1,853.5	1,962.8
Advances and deposits	151.7	167.4
Other receivables, prepayments and other assets	78.0	49.4
	2,083.2	2,179.6

(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:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Balance at the beginning of the year	(17.8)	(6.6)
Net (provision)/ reversal of impairment during the year	(47.6)	(11.2)
	(65.4)	(17.8)

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

8. Development properties

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

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Balance at the beginning of the period/year	2,592.4	2,507.4
Additions	462.1	963.9
Transfer to cost of sales	(492.2)	(845.1)
Provision for impairment	(119.1)	(33.8)
	<hr/>	<hr/>
Balance at the end of the period/year	2,443.2	2,592.4
	<hr/> <hr/>	<hr/> <hr/>

Impairment of development properties

At 30 June 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 US\$ 119.1 million during the six month period ended 30 June 2020.

Assets held as development properties

The Group classifies its development properties into these categories based on the judgment whether the management intends to develop the property or not.

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Land held for future development	258.6	204.4
Properties under development	1,539.2	1,792.5
Completed properties	645.4	595.5
	<hr/>	<hr/>
	2,443.2	2,592.4
	<hr/> <hr/>	<hr/> <hr/>

During the period, the management has assessed that certain properties amounting to USD 150 million which were earlier categorized as "properties under development" will be considered for development only in the future periods and hence the Group has reclassified these properties from "properties under development" to "Land held for future development".

No borrowing costs have been capitalised to development properties. The carrying value of development properties located outside the United Arab Emirates as at 30 June 2020 is US\$ 275 Million (2019: US\$ 273 Million).

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

9. Other financial assets

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Escrow retention accounts	192.9	232.9
Margin deposits	2.9	3.3
Other	0.6	0.6
	<u>196.4</u>	<u>236.8</u>

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 June 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 US\$ 122 million (31 December 2019: US\$ 136 million) is held with Islamic banks and the remaining balance is held with conventional banks.

10. Financial investment

A) Financial investments at fair value through other comprehensive income

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Opening balance	100.6	77.0
Additional investment	-	23.6
Change in fair value in other comprehensive income	(11.8)	-
Closing balance	<u>88.8</u>	<u>100.6</u>

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 in DIL 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.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

10. Financial investment (continued)

A) Financial investments at fair value through other comprehensive income (continued)

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 30 June 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 US\$ 11.8 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 US\$ 88.8 million (2019: US\$ 100.6 million) which represents a 20% (2019: 20%) equity interest in the related entity.

B) Financial investments at fair value through profit or loss

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Opening balance	-	-
Additions	81.7	-
Disposals	(64.1)	-
Change in fair value through profit or loss	(0.8)	-
Closing balance	16.8	-

During the period, the Group has invested in quoted equity securities listed on the London stock exchange and the New York stock exchange. The Group has sold equity investments amounting to US\$ 64.1 million during the period and recognised a gain of US\$ 17.8 million in the consolidated statement of profit or loss.

As at 30 June 2020, the Group has fair valued the quoted equity investments based on published market prices prevailing as at 30 June 2020 and recognised a loss of US\$ 0.8 million in the statement of profit or loss.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

11. Right-of-use assets and Lease liabilities

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

Particulars	Total
Cost:	US\$ Million
At 1 January 2019 (Audited)	34.1
At 31 December 2019 (Audited)	34.1
At 30 June 2020 (Unaudited)	34.1
Accumulated amortisation:	
At 1 January 2019 (Audited)	-
Charge for the year	8.9
At 31 December 2019 (Audited)	8.9
Charge for the period	4.5
At 30 June 2020 (Unaudited)	13.4
Carrying value	
At 30 June 2020 (Unaudited)	20.7
At 31 December 2019 (Audited)	25.2

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

Particulars	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	US\$ Million	US\$ Million
Opening balance	25.3	34.1
Interest expense (note 25)	1.2	3.0
Lease payment	(5.2)	(11.8)
Closing balance	21.3	25.3

12. Property and equipment

Cost:	Buildings	Furniture and fixtures	Tools and Office Equipment	Motor vehicles	Total
	US\$ Million	US\$ Million	US\$ Million	US\$ Million	US\$ Million
At 1 January 2019 (Audited)	25.0	20.8	31.5	1.2	78.5
Additions	0.1	0.8	1.2	1.0	3.1
Disposals	-	-	(0.2)	(0.1)	(0.3)
At 31 December 2019 (Audited)	25.1	21.6	32.5	2.1	81.3
Additions	-	0.6	0.7	0.1	1.4
Disposals	-	-	(0.2)	-	(0.2)
At 30 June 2020 (Unaudited)	25.1	22.2	33.0	2.2	82.5

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

12. Property and equipment (continued)

	Buildings US\$ Million	Furniture and fixtures US\$ Million	Tools and Office Equipment US\$ Million	Motor vehicles US\$ Million	Total US\$ Million
Accumulated depreciation:					
	1.8	16.0	21.5	0.9	40.2
Charge for the year	2.3	1.0	3.0	0.1	6.4
Disposals	-	(0.1)	-	-	(0.1)
	<u>4.1</u>	<u>16.9</u>	<u>24.5</u>	<u>1.0</u>	<u>46.5</u>
At 31 December 2019 (Audited)	4.1	16.9	24.5	1.0	46.5
Charge for the period	1.2	0.4	1.2	0.1	2.9
Disposals	-	-	(0.1)	-	(0.1)
	<u>5.3</u>	<u>17.3</u>	<u>25.6</u>	<u>1.1</u>	<u>49.3</u>
At 30 June 2020 (Unaudited)	5.3	17.3	25.6	1.1	49.3
	<u><u>19.8</u></u>	<u><u>4.9</u></u>	<u><u>7.4</u></u>	<u><u>1.1</u></u>	<u><u>33.2</u></u>
Carrying value:					
At 30 June 2020 (Unaudited)	19.8	4.9	7.4	1.1	33.2
	<u><u>21.0</u></u>	<u><u>4.7</u></u>	<u><u>8.0</u></u>	<u><u>1.1</u></u>	<u><u>34.8</u></u>
At 31 December 2019 (Audited)	21.0	4.7	8.0	1.1	34.8

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:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Cost:		
Balance at the beginning of the period/year	55.3	55.3
Additions/ deletions	-	-
	<u>55.3</u>	<u>55.3</u>
Balance at the end of period/year	55.3	55.3
Accumulated depreciation:		
Balance at the beginning of the period/year	(6.1)	(4.0)
Charge for the year	(1.1)	(2.1)
	<u>(7.2)</u>	<u>(6.1)</u>
Balance at the end of period/year	(7.2)	(6.1)
	<u><u>48.1</u></u>	<u><u>49.2</u></u>
Carrying value as at end of period/year	48.1	49.2

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

14. Share capital

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Authorised, Issued, subscribed and fully paid shares of US\$ 1 each	1,083.0	1,083.0

15. Trade and other payables

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Trade payables	196.7	219.9
Accruals	343.4	318.4
Retentions payable (i)	295.2	278.7
Deferred consideration payable for land	-	20.4
Other payables	42.8	86.3
Provision for employees' end-of-service indemnity (ii)	14.2	14.1
	892.3	937.8

(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 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Balance at the beginning of the period/year	14.1	13.5
Charge for the period/year	1.4	3.5
Payments during the period/year	(1.3)	(2.9)
Balance at the end of the period/year	14.2	14.1

16. Advances from customers

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

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

16. Advances from customers (continued)

Movement during the period/year is as follows:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Balance at the beginning of the period/year	645.2	712.3
Amounts billed during the period/year	571.3	1,151.2
Revenue recognised during the period/year	(638.2)	(1,185.2)
Other operating income recognised during the period/year	(10.4)	(33.1)
	567.9	645.2

17. Bank borrowings

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Bank facilities	66.9	142.2
Overdrafts (Note 6)	-	7.4
	66.9	149.6

- a) At the reporting date, an amount of US\$ Nil (31 December 2019: US\$ 38 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:

- US\$ 68 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 30 June 2020.

Conventional banks and financial institutions

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

- US\$ 100 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, US\$ 33 million was repaid as at 30 June 2020.
- US\$ 75 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2020. This loan was fully repaid as at 30 June 2020.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

17. Bank borrowings (continued)

- US\$ 18 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 30 June 2020
- c) As at 30 June 2020, the Group had arranged for bank facilities amounting to US\$ 601 million (2019: US\$ 611 million) in the form of letters of credit and guarantees out of which US\$ 368 million (2019: US\$ 355 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 US\$ 124 million (2019: US\$ 128 million), corporate guarantees of the Company and pledges over bank accounts and deposits of US\$ 179 million (2019: US\$142 million).
- e) Repayment profile of the Group's bank borrowings at the reporting date is as follows:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
On demand or within one year	33.0	115.6
In the second and third years	33.9	34.0
	66.9	149.6

18. Sukuk certificates

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Sukuk certificates	878.8	899.5
Unamortised issue costs	(3.1)	(3.7)
Carrying amount	875.7	895.8

Movement in unamortised issue costs is as follows:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Balance at the beginning of the period/year	3.7	5.5
Amortised during the period/year	(0.6)	(1.8)
Balance at the end of the period/year	3.1	3.7

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

18. Sukuk certificates (continued)

- On 20 April 2017, the Group issued US\$ 500 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 the Company 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 Company. 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\$ 12.5 million at a discount during the period.

- On 18 April 2018, the Group issued US\$ 400 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 at a discount during the period.

The repayment profile of sukuk certificates is as follows:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Amount due for settlement within 12 months	-	-
Amount due for settlement after 12 months	875.7	895.8
	875.7	895.8

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

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:

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
<u>Entities under the control of the Chairman</u>				
Investment in Damac International Limited (i)	-	(10.4)	-	(16.2)
Support services fees (ii)	0.4	0.4	0.7	0.7
Loss on fair valuation of financial investment (note 10)	(8.0)	--	(11.8)	-
	=====	=====	=====	=====

(i) Investment in Damac International Limited

During the period, the Group has not increased its investment in Damac International Limited (2019: US\$ 16.2 million), a related entity under the control of the Chief Executive Officer (note 10).

(ii) Support services fees

During the period the Group received US\$ 0.7 million (2019: US\$ 0.7 million) towards support services rendered to Damac International Limited and DICO Investments Co. LLC, both related entities under the control of the Chief Executive Officer.

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*.

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Salaries and other short-term employee benefits	0.51	0.77	1.15	1.48
Other long-term benefits	0.03	0.04	0.06	0.08
	=====	=====	=====	=====
	0.54	0.81	1.21	1.56

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

20. Revenue

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

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Over time	310.0	253.6	634.2	480.5
Point in time	1.0	10.7	11.3	27.7
	<u>311.0</u>	<u>264.3</u>	<u>645.5</u>	<u>508.2</u>

21. Other operating income

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Income from cancellation of units	5.8	12.3	10.4	24.2
Penalties from overdue customers	-	-	-	1.0
	<u>5.8</u>	<u>12.3</u>	<u>10.4</u>	<u>25.2</u>

22. General, administrative and selling expenses

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Staff costs	18.1	25.0	43.9	52.6
Selling and marketing expenses	4.9	21.4	24.8	42.4
Repairs and maintenance	4.6	5.0	9.4	8.1
Rent and license fees	1.2	3.0	2.8	5.2
Legal and professional	1.8	2.9	4.6	6.0
Travel and communication	0.6	1.7	2.0	3.9
Other	5.1	6.2	9.2	9.8
	<u>36.3</u>	<u>65.2</u>	<u>96.7</u>	<u>128.0</u>

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020

23. Other income

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Property management fees	2.4	5.0	4.8	8.7
Support services fees (note 19)	0.4	0.4	0.7	0.7
Gain on repurchase of sukuk certificates	0.9	-	4.4	-
Other	0.2	3.1	1.0	5.3
	<u>3.9</u>	<u>8.5</u>	<u>10.9</u>	<u>14.7</u>

24. Finance income

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Islamic banks and financial institutions	2.4	8.2	5.3	15.3
Conventional banks and financial institutions	0.1	3.1	2.8	8.0
	<u>2.5</u>	<u>11.3</u>	<u>8.1</u>	<u>23.3</u>

25. Finance costs

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million	2020 (Unaudited) US\$ Million	2019 (Unaudited) US\$ Million
Islamic banks and financial institutions	14.3	14.6	28.6	33.1
Conventional banks and financial institutions	1.3	4.4	3.1	7.0
Interest on lease liabilities	0.6	1.4	1.2	1.6
	<u>16.2</u>	<u>20.4</u>	<u>32.9</u>	<u>41.7</u>

**Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020**

26. Contingent liabilities

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Bank guarantees	233.6	256.1

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.

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:

	30 June 2020 (Unaudited) US\$ Million	31 December 2019 (Audited) US\$ Million
Contracted for	525.9	904.2

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.

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.

**Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2020**

28. Earnings per share (continued)

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit/(loss) for the period (US\$ million)	(76.4)	13.8	(105.2)	22.4
Weighted average number of ordinary shares ('000)	1,083.0	1,083.0	1,083.0	1,083.0
Earnings per ordinary share – Basic and diluted (US\$)	(0.0705)	0.0127	(0.0971)	0.0207

29. Subsequent event

The Group holds one of its completed development properties in Beirut, Lebanon which was affected on account of explosion that occurred on 4 August, 2020. Considering the current conditions, the management is unable to estimate the financial impact, if any, of this event on its operations in Lebanon.

30. Comparative figures

Previous period's/ 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.

31. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements for the six month period ended 30 June 2020 was approved by the Board of Directors and authorised for issue on 12 August 2020.