ANNUAL REPORT
2020

DAMAC PROPERTIES DUBAI CO PJSC

DAMAC Prive, Dubai

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2020
RESULTS HIGHLIGHTS

DAMAC Towers by Paramount Hotels & Resorts, Dubai

REVENUE
AED 4,671M

NET LOSS
AED 1,039M

EQUITY
AED 12,990M

DEBT TO TOTAL ASSETS
15.1%

GROSS PROFIT
AED 1,071M

CASH & DEVELOPMENT PROP AS % OF TOTAL ASSETS **56.9%**

OPERATING CASHFLOW
AED 889M

CASH AND BANK
AED 4,242M

GROSS MARGINS
22.9%

OPERATING LOSS
AED 1,148M

TOTAL ASSETS
AED 21,136M

GROSS DEBT
AED 3,195M

CHAIRMAN'S LETTER
TO THE SHAREHOLDERS

HUSSAIN SAJWANI
CHAIRMAN

DEAR SHAREHOLDERS,

It goes without saying that 2020 was a challenging year for the entire world due to the Covid-19 pandemic. At DAMAC, like various other companies across the UAE and the world, we felt the stings of the global economic crisis. With a curb on travel and a dip in global tourism, Dubai — which has always been a beacon of international travel and interest — naturally witnessed a dramatic drop in visitor numbers.

Despite the poor market conditions, the Company persevered, innovated and met challenges head on. I am happy to report that we delivered 2,945 units in 2020, between our Business Bay projects and our AKOYA master development.

Despite many vendors and developers folding under the economic strains, with many consolidating to survive, DAMAC has always been in a strong position from a balance sheet perspective. Its strong liquidity has helped the Company absorb market shocks and we have even been able to consistently pay down debt, which is a formidable achievement during these challenging times.

Our growth strategy is associated with the vision of the UAE, which is our primary market. Taking giant leaps in its goal of transforming into a knowledge-based economy, the country remains a preferred destination for investors, businesses, and talented professionals from all over the world. As the UAE's pragmatic leadership charts out a comprehensive strategy for the next 50 years, we are confident that the real estate sector, which has witnessed softer market conditions in the last few years, will recover and flourish in the years to come.

POSITIVE INDICATORS

There are a lot of positive indicators that point to a U-shaped recovery for the UAE real estate marketing and I predict that this will happen in 12-24 months' time. With Covid-19 vaccines approved and currently being distributed, we are beginning to see a light at the end of the tunnel.

The timing of EXPO 2020, which will be happening at the end of 2021, will perfectly match up with a resumption in global tourism, when people receive the vaccine and will feel more comfortable travelling. In the run up to EXPO, we believe that we will see an uptick in real estate transactions.

Apart from this, Dubai will always be Dubai. We are living in a city and country that thankfully has wise leadership and has provided a supportive environment to attract foreign investment and that allows businesses to flourish.

The UAE's tax-free environment has been a great incentive for people to invest and buy over the years and the government has provided additional incentives to investors in the UAE, such as long-term residency.

Most recently, the government announced 100% foreign business ownerships, which will be a huge boost to the UAE economy and enhance its value proposition and competitiveness.

And finally, thanks to the UAE's excellent handling of the pandemic, businesses have been able to open up and we've witnessed a steady uptick in economic activity with each passing month. In the real estate sector, each quarter has recorded a steady increase in transactions, and we have seen a lot of interest in high-ticket items.

PROJECT PROGRESS

For 2020, to bring back a healthy balance between supply and demand in Dubai's real estate market, DAMAC focused on project deliveries, while responsibly curtailing the launch of new projects.

Despite market challenges, we have recorded important progress this year, securing the major works contract and completing foundation works for ZADA Tower, topping up Tower B in AYKON City, handing over several clusters in our AKOYA master development this year, as well as launching Malibu Bay, the UAE's first community wave pool.

Internationally, we have recorded important progress in DAMAC Towers Nine Elms based in London as it is on track to be completed at the end of 2021.

FINANCIAL PERFORMANCE

In 2020, we achieved over AED 2.3 billion in booked sales, total revenue of AED 4.7 billion and total gross profit of AED 1.1 billion. Shareholders' equity stood at AED 12.9 billion while total assets stood at AED 21.1 billion as of 31 December 2020.

We were also able to reduce our debt, despite the challenging market conditions—current debt stands at AED 3.2 billion and percentage of debt to total assets stands at 15.1%.

MARKET AGILITY

One of the critical components of our continued success over the years is our agility in adapting to global market conditions. Due to the continued imbalance in supply-demand dynamics in Dubai's property market, prices have declined over the past few years.

The decline in prices has created a buyers' market. Starting in 2019, the Emirate witnessed a sharp rise in real estate transactions and in 2020 more than 70% of transactions came from first-time buyers.

In 2019, the wise leadership of Dubai announced the establishment of the Higher Committee for Real Estate to create a long-term strategy for the real estate sector, while creating a healthy balance between supply and demand. Being a perceptive company, DAMAC was one of the first companies to alter its strategy to limit the addition of new supply in the market. Dubai's real estate landscape is maturing, and we are proud to be at the forefront of this transformation.

The economic strains imposed by the Covid-19 pandemic have forced many developers to cut back on new launches which will help correct the market in the years to come.

A MESSAGE OF GRATITUDE

On behalf of DAMAC, I would like to thank the visionary leaders of the UAE for their strategic vision and pro-growth approach to governance. In particular, their excellent management of the Covid-19 pandemic, has allowed the country to open up faster than others around the world. The UAE was also among the top countries in the world for vaccine administration.

With one eye on the health of its residents and the other on the stability of its economy, the government's proactive policies continue to elevate the UAE to the pinnacle of success. This has been a source of inspiration for each one of us at DAMAC. We will continue to play our part as nation builders as the UAE further diversifies its economy and marches into a glorious future on the back of innovation, inclusivity and tolerance.

I am also grateful to all our stakeholders who have worked tirelessly for our success over the years, including our employees, partners, contractors, suppliers and, of course, our customers.

Lastly, I would like to share my gratitude with our shareholders who have believed in our vision of creating differentiated living concepts and dream homes for people around the world.

HUSSAIN SAJWANI
CHAIRMAN

2,945 UNITS DELIVERED

4.7 BILLION DIRHAMS TOTAL REVENUE

2.3 BILLION DIRHAMS SALES BOOKED

ABOUT
DAMAC

DAMAC Properties has been shaping the Middle East's luxury real estate market since 2002, delivering iconic residential, commercial and leisure properties across the region and beyond. DAMAC adds vibrancy to the cities in which its projects are located, with a huge and diverse portfolio that includes a world-class master-planned golf development, Trump International Golf Club, Dubai located in DAMAC Hills. Having cemented its place as a leading developer in the region, the Company's footprint now extends across the Middle East with projects in the UAE, Saudi Arabia, Qatar, Jordan, Lebanon, The United Kingdom, Canada and The Maldives.

As of 31st December 2020, DAMAC Properties has delivered approximately 32,000 quality homes, with more than 34,000 under development.

THE FUTURE OF DAMAC

Additional to premium gated community spaces, such as DAMAC Hills and AKOYA, DAMAC continues to develop and offer investment opportunities with attractive residential projects in Dubai, such as AYKON City on Sheikh Zayed Road and Reva Heights in Business Bay. Further afield, in London's latest central hub, Nine Elms, the construction of DAMAC Towers Nine Elms London, in an exclusive partnership with Versace Home, is now complete.

DAMAC HOTEL & RESORTS

The winning combination: the comforts of home with service standards of the world's finest hotels.

All our current properties are located in the prestigious Downtown district, with unparalleled views and easy access to Dubai's key attractions.

MARKET OVERVIEW

The Waves, Dubai

DAMAC Properties operates within the luxury residential and premium hospitality segments, predominately in the Middle East. Founded in the UAE, DAMAC has been expanding steadily in recent years to regional markets, including Saudi Arabia, Lebanon, Qatar, Jordan, the Maldives, Canada and the United Kingdom.

DAMAC derives over 95 per cent of its revenue from projects in Dubai, an emirate that continues to sustain the most developed real estate market in the Middle East.

THE MARKET IN 2020

In 2020, Dubai's real estate continued to be a buyer's market — exacerbated by the Covid-19 pandemic. Over the last years, there has been a steady increase in the sales of ready property due to a noticeable shift in buyers' preferences, favouring ready or near-completion units.

Consumer trends noticeably shifted in 2020, away from high-rise, high-density towers in the city centre, to more private, out-door villa spaces, due to the pandemic. People were more reluctant to live in crowded spaces, and preferred areas where they could enjoy the outdoors in a private setting and where their kids could play.

DAMAC picked up on these trends and has been planning accordingly. It is heavily focusing and investing in its AKOYA development in Dubailand, offering residents enhanced amenities similar to its successful DAMAC Hills community and much more.

The economic impact caused by Covid-19 has also affected customer spending habits. They prefer to invest in more affordable and functional spaces, rather than premium, high-end units, as people have become more fiscally cautious due to job loss and lessons learned post-pandemic.

As for the hospitality sector, the beginning of the year saw record-lows, with global travel bans, but picked up slightly by the year's end as the UAE's handling of the pandemic made it a safer destination for tourists around the world to visit.

KEY GOVERNMENT INITIATIVES

While global economic and geopolitical headwinds continued to impact Dubai's real estate market in 2020, softer market conditions due to an imbalance in supply and demand led to a sharp rise in transactions.

The UAE has consistently come up with creative and innovative ways to attract foreign investment, which has helped businesses flourish.

In 2020, the government announced 100% foreign business ownerships, which promises to bolster the UAE economy and enhance its value proposition and competitiveness.

Generally, government incentives such as long-term residency schemes and its tax-free environment have continually attracted investors and educated and experienced professionals to the country, enhancing the country's economic, social and educational fabric.

A PROMISING FUTURE

Against the backdrop of rising real estate transactions and softening prices, Dubai's real estate landscape is maturing. Thanks to the wise vision from UAE leaders, the country is now evolving into a space where people are looking to settle in for the long term, rather than a hotspot for short term returns.

There are a lot of promising developments in the coming year that will help the UAE overcome market recession endured in 2020, such as EXPO 2020 and the rapid administration of the Covid-19 vaccine globally, and especially in the UAE.

However, it is important, going forward, that businesses learn lessons from the pandemic — lessons in endurance, innovation and adaptation to survive. We need to embrace advances in technology to help propel us into this evolving century of digitisation.

Agility and innovation will be crucial as the UAE charts its path towards a sustainable future. It will be exciting to witness the country's social and economic transformation in the years to come.

UAE 4TH LARGEST ECONOMY IN MIDDLE EAST

3.2 MILLION ANTICIPATED POPULATION IN DUBAI BY 2021

GDP IN 2020 $421 BILLION

100% FOREIGN OWNERSHIP INTRODUCED BY UAE GOVERNMENT THIS YEAR

The UAE has consistently come up with creative and innovative ways to attract foreign investment, which has helped businesses flourish


Park Towers, Dubai

PERFORMANCE HIGHLIGHTS 2020

Q1

- DAMAC Properties launches A La Carte Villas — the UAE's first 'design your own home concept' which enables buyers to personalise multiple aspects of their homes including villa type, layout, landscaping, interiors, and furnishings, among others
- DAMAC announces that Rotana will take over the management of DAMAC Towers Arjaan in Riyadh, Kingdom of Saudi Arabia.

Q2

- Due to the Covid-19 pandemic, 100% work-from home is implemented across all departments
- DAMAC launches Ziwo — a mobile calling solution which enables the sales team to make calls anytime, anywhere
- DAMAC unveils its virtual key handover process which allows for the handing over of properties purchased by customers without their physical presence through e-signatures, virtual snagging and key release
- DAMAC completes the structure of Vera Residences in Business Bay, Dubai

Q3

- The Company launches DAMAC Central which consolidates all company approval mechanisms into one app
- DAMAC launches the Digitisation of Sales process which enables e-signatures in the unit registration process

Q4

- DAMAC Properties awards Trans Emirates Contracting a contract worth AED 181,000,000 to start main works of ZADA, a 26-storey building located in Business Bay
- DAMAC Properties announces the completion of the structure of Tower B in its Dubai Canal facing Sheikh Zayed Road AYKON City Project
- DAMAC Hills debuts the UAE's first residential community wave pool, Malibu Bay, bringing the beach right to the doorstep of community residents
- DAMAC Properties announces that its DAMAC Tower Nine Elms project located in Nine Elms, London, is on track to be completed on schedule despite challenges caused by the outbreak of the Covid-19 pandemic
- DAMAC logs 53 million safe man-hours on construction sites
- DAMAC Hotels records occupancy rates of up to 85% in Q4 2020, compared to 49% for the overall hospitality market in Dubai
- DAMAC Properties announces a home finance plan in partnership with Abu Dhabi Islamic Bank (ADIB), offering finance with a rate of 1.99% per annum for DAMAC villas
- DAMAC Properties records an important milestone at its ZADA Tower project in Business Bay with major foundation works completed within three months of awarding the major works contract

CORPORATE SOCIAL RESPONSIBILITY

مؤسسة حسين سجواني - داماك الخيرية
HUSSAIN SAJWANI - DAMAC FOUNDATION

As a home-grown Company, DAMAC understands the importance of giving back to the community in which it operates, and founded the Hussain Sajwani – DAMAC Foundation, a joint initiative between the DAMAC Group and its Chairman, Hussain Sajwani. The Foundation aims at improving the region in an impactful way by empowering the youth, equipping them with the necessary knowledge and skillsets for the jobs of the future.

</10^6> مبادرة مليون مبرمج عربي
1 MILLION ARAB CODERS INITIATIVE

In addition to supporting local Emirati initiatives and charity organisations, the Hussain Sajwani – DAMAC Foundation is a partner of the Dubai Future Foundation on the 'One Million Arab Coders' initiative. Launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, the integrated educational programme aims to empower one million Arabs with the language of the future, coding.

"Coding is the language of the future, and one of its key tools. New technologies are the fastest way to create new opportunities for our youth."
- H.H. Sheikh Mohammed bin Rashid Al Maktoum

Anyone with access to the internet can sign up to participate in the 'One Million Arab Coders' initiative. To ensure that the programme is accessible to all, the Dubai Future Foundation also works with grassroots organisations, NGO's and governmental bodies across the Arab world to facilitate device and internet access to those interested in taking part.

ONLINE CERTIFICATIONS
Get high-quality online courses & certifications

SCHOLARSHIPS
Nanodegree scholarships for the top 1000 students

CASH PRIZES
$1,000,000 for the 1st winner, $50,000 for the top 5 graduates

1.1 MILLION+
ENROLLED STUDENTS FROM ACROSS THE WORLD

TOP 5 NATIONALITIES
EGYPT, MOROCCO, ALGERIA, KSA AND JORDAN.

JOB OPPORTUNITIES
Internships, job opportunities and startup support programmes in 2020, the number of enrolled students exceeded the 1.1 million mark. The programme witnessed such an overwhelming response, with a significant increase from around the region that led to the launch of new chapters in various countries.

The Dubai Future Foundation also rolled out a new initiative called "Teach me now" which is a mentorship programme that allows students to interact with mentors and get support.

Lobby Interior - DAMAC Maison Distinction, Dubai

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S MESSAGE

HITESH DHOOT
CHIEF FINANCIAL OFFICER

2020 was a challenging year across the globe for most of the industries including real estate. Our company had to deal with the challenging situation arising from the Covid-19 pandemic and we had to react quickly and decisively across all levels of the organisation and in close collaboration with our stakeholders. Our core leadership team remained in office throughout the challenging and dynamic days of 2020 with focused priorities such as keeping employees safe, monitoring construction progress to deliver on our commitment to customers and taking measures to maintain sufficient liquidity in the company during these unforeseen times.

DAMAC's performance and financial results were impacted by Covid-19, with booked sales of AED2.3bn vs AED3.1bn in the previous year, mainly due to travel restrictions which resulted in decline in non-resident travel to the country and the inability of our sales team to conduct global roadshows and reach out to global buyers and investors.

Our revenues during the period were reported at AED4.7bn vs AED4.4bn last year. Revenue growth despite lower booked sales for the year reflects continued construction progress across our ongoing project portfolio. I would like to mention that although project construction progress was slower than expected across some of the projects, due to social distancing requirements and regulatory constraints, we continued to build across our project portfolio throughout the year. We do not anticipate any significant project delays.

I am happy to report that despite Covid-19 and lower booked sales, we were able to collect more cash than what we collected last year. Our collections stood at c.AED4.4bn in 2020 vs AED4.0bn in 2019. This is yet again a testament to our capabilities of generating cash and liquidity during the challenging 2020 year. Higher collections resulted in reduction of customer receivables as of 31 Dec 2020 vs. last year.

Gross margins reported for the year were at sub-23% vs sub-30% last year. This is mainly due to project revenue mix and temporary reduction in prices during a certain part of the year to counter the impact of the Covid-19 pandemic on sales, instead of giving longer term payment plans to generate sales we chose to give upfront discounts. We reported losses of c.AED1bn mainly resulting from provisions due to prevailing market conditions.

During the year the company reduced its gross debt by c.AED650mn from internal accruals and closed the year with a gross debt of AED3.2bn. Our focused strategy over the last few years of cautious launch plans and aggressive collections aided our cash balances this year and led us to retire certain debt ahead of schedule. We finished the year with AED4.2bn of cash and marketable financial investments of c.AED500mn. We continue to maintain a net cash position since 2012.

During the year, we also paid the last outstanding instalment as per schedule, towards the deferred land liability, we were carrying as of 31 Dec 2019. I am pleased to report that with this payment, all our land bank is now fully paid. I would also like to mention that historically we have always made land payment on or before schedule.

HITESH DHOOT
CHIEF FINANCIAL OFFICER

DAMAC Tower Nine Elms, London

During the year, management decided to deploy certain capital in the UK market, which continues to remain a preferred destination for buyers across the globe. We also increased our effective stake in the existing branded luxury project nearing construction completion in Nine Elms, London from 20% to 40%.

I would like to express my gratitude to the leadership of UAE for their continued support to the real estate sector. I would also like to extend my thanks to our Board of Directors for guiding us and our customers, partners, and employees for their invaluable support. I look forward to 2021.

DAMAC Park Towers, Dubai, International Financial Centre

ORGANISATIONAL DESIGN

TEAM INTEGRATION ACROSS THE DAMAC CUSTOMER JOURNEY

To remain ahead of changing times, our organisation has been re-designed around the DAMAC customer journey, categorised into three groups: acquisition, engagement and experience. Our people, in all functions, are aligned across every customer experience and are empowered to add value at each stage of our customers' direct or indirect interaction with the Company.

BEYOND THE TRANSFORMATION

Digital transformation has been core to our growth, and includes the use of the latest cloud enterprise solutions and automation technology. Today, DAMAC is among the early adopters of cognitive machine learning solutions within the industry and has adopted Robotic Process Automation (RPA) technology across core areas, including Finance, Sales and IT. This has allowed the Company to successfully reduce operational costs over the last few years, while simultaneously improving customer service and employee engagement, along with efficiency of core business functions.

With the onset of Covid-19, DAMAC has only accelerated its drive towards digitisation, holding regular video calls with team members, eliminating the need for unnecessary travel or commuting and making operations more efficient and resilient in the face of any challenges.

CUSTOMER SUPPORT

DAMAC continues to evolve its customer relationship management to drive satisfaction at every customer touchpoint. Its adoption of advanced Customer Engagement Management (CEM) solutions improves end-to-end customer service across the property purchase cycle, starting at customer acquisition.

This provides DAMAC with superior service advantages through effective customer life cycle management, supported by a world-class Client-Relations Management (CRM) team and Salesforce integration across its information technology systems.

Furthermore, the Company introduced on-property community management teams and 'Hello DAMAC', an easy-to-use online customer portal available in multiple languages, including English, Arabic, Simple Chinese and Russian.

The CRM team has succeeded in the face of challenges imposed by Covid-19. It introduced Virtual Handovers this year which helped customers tour their property and spot and resolve any snags, making handover possible no matter where you are in the world.

BUSINESS PLANNING

Through effective analysis and strategic forward planning, DAMAC continuously strives to improve its performance benchmark against global standards. This encompasses a 360-degree view of the business from sourcing land to ongoing market expansion. The team has an unrivalled understanding of the market conditions and is involved across a spectrum of business functions in the organisation, including international development.

Spearheading Robotic Process Automation (RPA) adoption and innovation, business planning lean methodology creates production floor 'pull' rather than management 'push'. The Company also has tremendous support from 'bots', including Virtual Workers (VWs), used to augment human capabilities and free people up to do higher value work. Today, DAMAC bots are built with specific capabilities, to work across multiple complex processes and eliminate human interventions.

COMMUNITY MANAGEMENT

DAMAC's own Luxury Facilities Management (LFM) and Luxury Owner Association Management Services (LOAMS) ensure the smooth and seamless operations of the day-to-day functions in every DAMAC community. They also boast on-premise community management teams at all their master developments.
From events, to interfacing with real estate authorities and ensuring the highest service levels, the teams play a vital role at every stage in post-sale customer satisfaction, as well as maintaining facilities and protecting customers' investments.

LFM is certified as ISO compliant to the following standards:

- Quality Management System (ISO 9001:2008)
- Environmental Management System (ISO 14001:2004)
- Occupational Health & Safety Management System (OHSAS 18001: 2007)

LOAMS is certified as ISO compliant to the following standard:

- Quality Management System (ISO 9001:2008)

These standards are certified by the British Standards Institution (BSI) Middle East and Africa.

DAMAC Sales Office, Dubai

SALES

DAMAC's 360-degree approach to sales is helping the Company to leverage its resources effectively between direct and indirect sales, while balancing between off-plan growth opportunities and revenue from ready properties.

With over 150 sales professionals, DAMAC boasts an outbound model, supported by 12 global customer experience centres, extensive annual roadshow plans and global marketing campaigns.

As Covid-19 changed the way we do business globally because of limitations on travel and movement, DAMAC quickly adapted in 2020, largely due to its strong emphasis on digitisation and technology. The company introduced virtual home tours and was successful in showcasing and selling properties to buyers abroad, without them ever having to step foot in the UAE.

Leaning on its successful indirect sales strategy, DAMAC continues to strengthen its partnerships with its global network of over 9,700 brokers worldwide, as of December 2020. Thanks to complete Salesforce integration in 2017, DAMAC now empowers agents with dedication technology tools, and enables them to promote, sell and book properties directly through DAMAC's dedicated brokers' online portal and mobile application.

MARKETING AND CORPORATE COMMUNICATIONS

Aligned with its outbound sales model, DAMAC's in-house marketing capability leads on industry web development and digital marketing performance and complements its popular global brand awareness customer fly-in campaign, 'Why Dubai, Why DAMAC'.

In addition to its global roadshows and digital marketing efforts, the Company maintains a strong social media presence, which provides access to its core audiences while in their home countries and serves as a platform for customer engagement. DAMAC's offline communications efforts raises its global mindshare and drives awareness of the Company's involvement in the One Million Arab Coders Initiative as part of its corporate social responsibility.

The team also works closely with brand partners, including Versace Home, Fendi Casa, Paramount Hotels & Resorts and The Trump Organisation, along with Just Cavalli and The Radisson Group

FINANCE

Serving as an example of how DAMAC transforms core operations through innovation, the Finance team heavily leverages automation to improve speed, efficiency and accuracy in its operations. This allows the team to focus efforts on customer service and partner engagement, including:

Home Financing Services

DAMAC's home financing service facilitates in-demand mortgage products for existing and new customers. The team works with local and international banks through instant approvals and other financial frameworks, and processes transactions for customers registered with Dubai Land Department.

Investor Relations

DAMAC regularly engages with analysts, investors and potential investors as well as other capital community members.

PROJECTS

The Project Management team continues to plan, develop and oversee the smooth delivery of DAMAC's projects. This includes full procurement processes, working with contractors and sub-contractors, all the way through to the Handover teams. Over the past four years, the Projects team has adopted advanced IT infrastructure and solutions to increase collaboration across all key departments, seeing a significant uptick in Project Management efficiency. From advanced Building Information Modelling (BIM) solutions that enable intelligent 3D model-based design processes, to cloud-based snagging tools that empower Company-wide integration, DAMAC's Project team value-engineer through investments in technology.

TALENT

People are at the heart of DAMAC's success. Working in tandem, 'Talent Acquisition' and 'People and Performance' HR functions future-proof the Company's growth by sourcing and strengthening the right people. Safeguarding talent, DAMAC invests in its performance-driven culture through development programmes and employee engagement initiatives. This includes DAMAC Active, an annual series of sporting events and competitions which fosters team spirit among employees, while encouraging an active lifestyle.

TECHNOLOGY

DAMAC's IT department has spearheaded the Company's digital transformation, overseeing the deployment of a number of critical solutions that have helped it become an innovation leader in its sector. The IT department has led the deployment and integration of RPA, Salesforce, interactive community portals for customers, CRM tools for sales teams, agents, mobile applications to increase mobile workforce productivity, and the deployment of the Company's 3D Building Information Modelling (BIM) solution.

LEGAL

The team is continuously assessing the changing legal framework, at home and in other markets where DAMAC operates, to ensure that the Company, its shareholders and customers are protected. The Legal team is also responsible for overseeing the Company's obligations to the Dubai Financial Marketing for filing and disclosure.

Compliance & Internal Audit

A separate team oversees regulatory compliance with Commercial Companies Law, Corporate Governance Regulations and Listing and Disclosure Rules issued by relevant regulatory authorities. The team reviews and evaluates compliance issues/concerns within the organisation. Alongside an Internal Audit team, an external Audit Committee implements Corporate Governance best practices with the aim of protecting the interests of all stakeholders.

Company Secretary

The Company Secretary is responsible for advising the Board of Directors on their statutory duties under the law, disclosure obligations requirements to the authorities including the market, and corporate governance requirements and practices and effective board processes.

Lobby Interior - DAMAC Prive, Dubai

STRATEGY

MISSION, VISION AND VALUES

DAMAC provides dream homes and unique living concepts to customers from all over the world, and strives to challenge the market by transforming living experiences in Dubai and beyond. As a leading luxury real estate developer, DAMAC believes in developing and nourishing superior residential communities that deliver outstanding return on investment, while offering residents differentiated real estate environments and services.

INNOVATING AT EVERY TURN

From investors to community residents, customers drive demand for, and the success of, DAMAC projects. With the introduction of new technology solutions in the digital era, the DAMAC customer journey evolved further in 2020, and involves all team members, from product planning to facility management.

RETURN ON INVESTMENT REMAINS PRIORITY

DAMAC's success is driven by capital efficiency, while driving return on equity and the maintenance of an appropriate capital structure. Over 500 experts (quantity surveyors, architects, project managers, procurement agents, etc) ensure that investors' capital is deployed professionally. This also maximises shareholder value, increases profitability and offers attractive cash returns to shareholders.

INVESTING IN THE RIGHT PEOPLE

Excellence in service and product is only possible because DAMAC recruits and invests in the right people. It is thanks to the hard-work and passion of employees that DAMAC is able to fulfil its promise to customers. As such, people continue to be at the heart of DAMAC, and are recognised through long-service awards, ongoing training, internal promotions and employee engagement initiatives.

DAMAC CULTURE OF EXCELLENCE

WALKING THE WALK

Each day is an opportunity for innovation and growth. DAMAC promises to deliver dream homes and unique living experiences. Plans are inspirational, but execution is what matters.

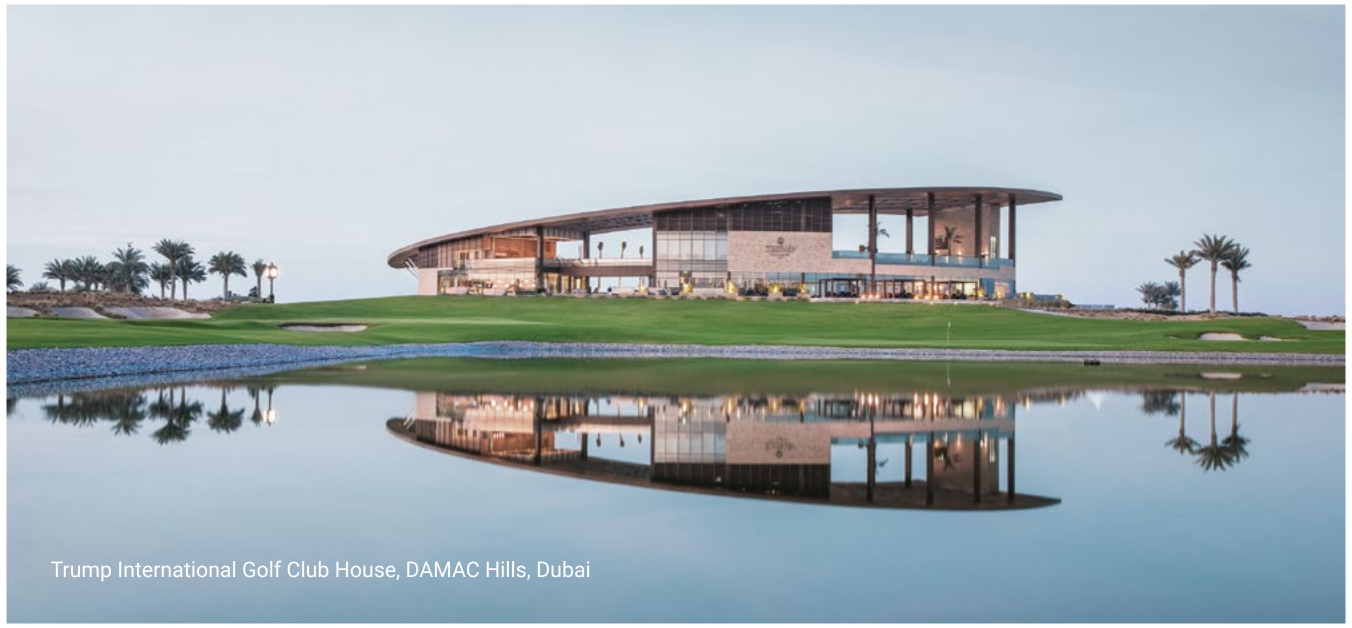
ADDING VALUE & AGILITY

Each person at DAMAC takes ownership for the success of the Company from making commercial decisions that create long-term value, to remaining agile enough to adopt necessary changes when required.

TOGETHER WE THRIVE

Various organisations, leaders and team members come together to deliver a successful project. In order to challenge the industry, it is imperative for the sector to collaborate on common grounds and together, strive to exceed existing standards.

PORTFOLIO OVERVIEW



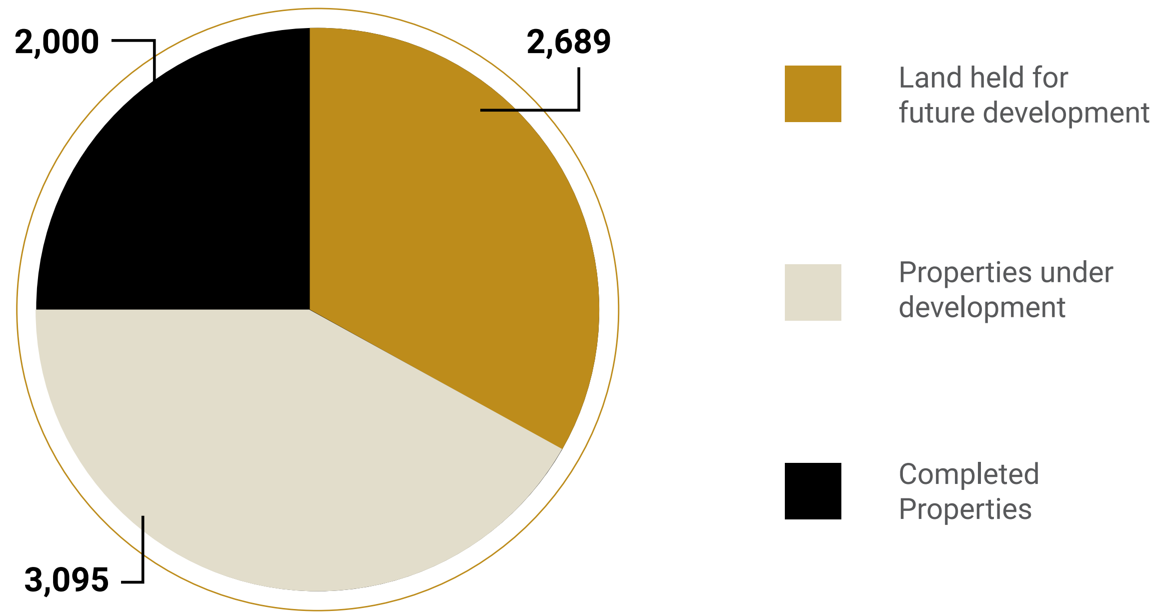
PORTFOLIO FOCUS

With a successful 19-year track record, DAMAC's ability to identify current market requirements and develop residential, commercial, hospitality and leisure projects that are in demand, while offering excellent ROI, has set it apart from others.

DAMAC also stands apart from its competitors through its differentiated collaborations with international brands, bringing the best luxury living concepts to its customers. From fashion icons, Versace Home and Just Cavalli to leading hospitality brands, Rotana, the Radisson Group and the stylish Paramount Hotels & Resorts, as well as the finest golf community with the Trump International Golf Course in DAMAC Hills, DAMAC continues to set the benchmark for unique concepts that meet today's lifestyle-driven preferences.

	COMPLETED PROJECTS	IN-PROGRESS AND IN-PLANNING PROJECTS
Total	c.32,000 units	c.34,000 units
In Dubai	91%	96%

DEVELOPMENT PROPERTIES – DEC '20 (AED MN)



UAE

No. of projects	21
Units	c.34k
Sellable area (mm sq ft)	41.7
Completion date	2021/25

INTERNATIONAL

No. of projects	3
Units	c.0.6K
Sellable area (mm sq ft)	0.7
Completion date	2022

Note: Above table pertains to in progress and in planning projects only

DAMAC PROJECTS IN DUBAI

- 1. Suburbia
- 2. Lake View
- 3. Lake Terrace
- 4. The Waves
- 5. Marina Terrace
- 6. DAMAC Heights / Residenze
- 7. Ocean Heights
- 8. Executive Towers
- 9. Smart Heights
- 10. XL Tower
- 11. Business Tower
- 12. AYKON City
- 13. Merano Tower
- 14. DAMAC Maison Cour Jardin
- 15. Bay's Edge
- 16. Paramount Tower Hotel & Residences
- 17. Majestine
- 18. DAMAC Maison Distinction
- 19. Park Towers
- 20. Royal Golf Boutique Villas
- 21. DAMAC Maison Mall Street
- 22. Upper Crest
- 23. Voleo
- 24. Avanti
- 25. The Residences at Business Central
- 26. DAMAC Maison Canal Views
- 27. DAMAC Towers by Paramount Hotels & Resorts
- 28. Privé
- 29. Breeze
- 30. Park Central
- 31. Executive Bay
- 32. Madison Residences
- 33. Lincoln Park
- 34. AKOYA
- 35. Emirates Gardens I
- 36. Tuscan Residences II
- 37. DAMAC Hills
- 38. Tuscan Residences I
- 39. Emirates Gardens II
- 40. Ghalia
- 41. Tower 108
- 42. Tenora
- 43. Celestia
- 44. The Crescent
- 45. Lago Vista
- 46. Lakeside
- 47. Green Park
- 48. Reva Residences
- 49. Vera Residences
- 50. Zada Residences

IN PLANNING

- Central Square
- Cultural Village
- Jumeirah Village Plot I
- Jumeirah Village Plot II
- Madison Residences II
- Meydan
- Parkside
- Safa Park Plot

COMPLETED IN PROGRESS *As of 31st December 2020


DAMAC Tower, Beirut (Interiors by Versace Home)

KEY DEVELOPMENTS IN PROGRESS

A WORLD-CLASS GOLF COMMUNITY

DAMAC HILLS


DAMAC Hills, Dubai

A world-class golf community with 42 million square feet of residential, retail and leisure developments amidst lush greenery

DAMAC Hills is a gated golf community, located off the Umm Suqeim Road, 15 minutes away from the centre of Dubai. Spanning 42 million square feet, DAMAC Hills is home to a variety of incredible properties, some the result of collaborations with world-renowned brands such as The Trump Organization and Paramount Hotels & Resorts.

Residents of DAMAC Hills have access to world-class retail and leisure amenities, along with spectacular outdoor areas including The Park, nearly four million square feet of lush greenery across various private, themed parklands. Additionally, the community boasts a skate park, an ice rink, a petting zoo and various basketball and tennis courts and football and cricket fields.

DAMAC Hills debuted Malibu Bay in 2020, the first community wave pool in the UAE. The California-themed pool and lounge area brings the beach right to the doorsteps of residents.

DAMAC Hills is also home to the Trump International Golf Club Dubai, the only Trump golf course in the Middle East. It offers an 18-hole, par 71 championship-standard course, designed by 2016 Olympic Games course architect, Gil Hanse, one of the most sought-after names in the industry.

Over 6,000 homes have been handed over at DAMAC Hills so far, including villa clusters and apartments in the low-rise buildings facing the golf course. An international school campus, Jebel Ali School, is now in its fourth year of operation in the community, while Radisson Dubai DAMAC Hills, an upscale hotel overlooking the Trump International Golf Club Dubai, will begin welcoming guests in Q2 of 2021 and a shopping mall is currently under construction.


Malibu Bay, DAMAC Hills, Dubai


Skate Park - DAMAC Hills, Dubai

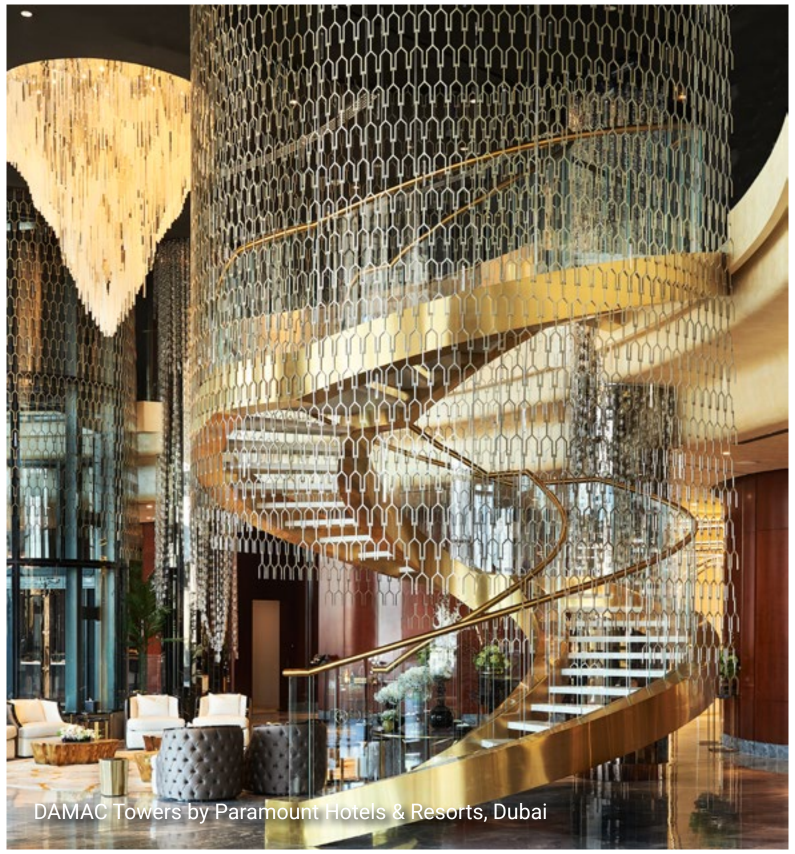

Park Town, DAMAC Hills, Dubai

PARAMOUNT HOTELS & RESORTS

An iconic four-tower collaboration with Paramount Hotels & Resorts reflecting the glamorous Hollywood vibe

Set centre stage in the heart of Dubai's dynamic Business Bay district and 16 km away from Dubai International Airport, DAMAC Towers by Paramount Hotels and Resorts Dubai comprises four towers stretching 270 metres in height, with a mix of one, two and three-bedroom residential apartments and hotel suites inspired by the rich 100+ year history of Paramount Pictures, with Hollywood-themed rooms, Californian inspired cuisine and unequivocal entertainment.

Three of the towers offer 1,200 luxury residential apartments, which were handed over in 2018, while the fourth hosts the Paramount Hotel that opened its doors in November 2019. The four buildings are joined by a multi-level plaza and have exclusive access to a resort style pool, landscaped gardens, numerous health and wellness facilities, and a variety of dining options.



DAMAC Towers by Paramount Hotels & Resorts, Dubai

DAMAC Towers by Paramount Hotels & Resorts, Dubai

DAMAC Towers by Paramount Hotels & Resorts, Dubai

CONTEMPORARY HOMES
IN THE HEART OF NATURE

AKOYA, Dubai

The 55-million-square-foot project offers a luxury lifestyle at the heart of nature

Launched in 2014, AKOYA is a 55-million-square-foot lush green master community in Dubailand, offering a tranquil residential environment. With over 4,500 villas and townhouses already handed over, the whole ethos of the project is based around greenery and seclusion, where energy-efficient homes are surrounded by lush landscaping that provides a serene ambience.

Located off Umm Suqeim Road and around 10 minutes from DAMAC Hills, AKOYA has an upscale, resort feel. The community centre houses various sports courts, a swimming pool and a luxurious gymnasium for residents, along with a Carrefour grocery store and other retail outlets.

The community has already opened a dog park and soon will have several more attractive features including: an organic produce market, an outdoor yoga enclave, an outdoor drive-in cinema, a paintball park, various play areas including splash pads, a petting farm, a butterfly garden and much more.


AKOYA, Dubai

AKOYA Community Centre, Dubai

THE NEW ARCHITECTURAL ICON ON SHEIKH ZAYED ROAD, OVERLOOKING DUBAI CANAL

AYKON CITY

AYKON City is a unique concept – an entire city set within the magnificent metropolis of Dubai. Spanning over six-million square feet, the multi-tower community is located on Sheikh Zayed Road, overlooking Dubai Canal and the city's most prestigious business district. AYKON City comprises luxury apartments, along with wellness, retail, dining and entertainment outlets.

Since its launch, AYKON City has won numerous prestigious awards, receiving recognition at the Africa and Arabia Property awards hosted in Dubai for 'Best Mixed-Use Architecture' and 'Best Residential High-Rise'.

In 2020, structure was 95% completed at Tower C, known as The Residences, which will have a total built-up area of nearly 1.8 million square feet. The 61-floor tower will feature studio, one, two and three-bedroom apartments.

The structure of Tower B was also topped up in 2020. Once completed, the 53-storey tower will stand 246 metres high. Out of the tower's 1,218 units, the vast majority will be studios and one-bedroom apartments, while there will also be 138 two-bedroom and 45 three-bedroom apartments.

AYKON City, Dubai

AYKON City, Dubai

RISK MANAGEMENT

Risk management is an integral part of DAMAC's business culture whether at a strategic or operational level; this supports DAMAC's business objectives and leads to value creation and preservation.

DAMAC recognises that risk management is about opportunities as much as threats. To capitalise on opportunities, DAMAC has to take risks. Therefore, risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward relationship, within a calculated and agreed risk appetite level. With the continuing efforts of the Board, the management and the staff, the Company has established a complete and effective operating risk management and internal control system. The risk management approach is based on a clear understanding of the variety of risks that the Company faces, disciplined risk monitoring and measurement, continuous risk assessment and implementation of mitigation measures.

Villa Interior - AKOYA, Dubai

MARKET RISKS

NATURE OF RISK	How we manage the risk
The majority of DAMAC's projects are located in Dubai, which can result in concentration risks.	‣ Dubai is an attractive real estate investment location for buyers from around the world. Historically, Dubai's economy has a much lesser dependence on oil than the surrounding countries. ‣ Real estate yields in Dubai are subdued, but still relatively high versus other major capital cities in the world, attracting a strong amount of interest and funds. ‣ Dubai's regulator and its regulatory policies aim to promote and maintain a healthy real estate market over the longer term, reducing speculation, and safeguarding both developers and buyers. ‣ At DAMAC, we continuously explore new territories and geographies which are customer-led, and where we have the ability to leverage our existing platform. We entered the UK real estate market in 2015 through a joint venture and we also have a presence in other Middle Eastern countries.
DAMAC's business is dependent on the wealth of domestic and international property purchasers and investors. This can lead to sales and related risks.	‣ The total freehold Dubai housing stock is estimated to be around 595K units as at the end of 2020. This is relatively small compared to any mega metropolitan city in the world. ‣ We have a strong in-house sales force who are exclusively selling DAMAC products. In addition, we also maintain an extensive broker network and have access to a significant customer database, which we have built over the last 19 years. We host frequent sales events and roadshows in various cities and countries across the world to attract buyers to the Dubai real estate market.
Political instability in the Middle East, and the impact of lower oil prices have heightened social, economic and geo-political risks.	‣ Dubai is seen as a safe haven for individuals from the rest of the Gulf and other Middle East countries, but also, increasingly as an alternative dollar-denominated jurisdiction for wealthy, high-net worth families and their investments from around the world. ‣ Dubai is more politically stable than its Gulf peers. Under the visionary leadership of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Dubai has grown in popularity as a leading global business, residential and travel hub.
Real estate is an attractive industry and may attract competition from existing and new players.	‣ DAMAC has built its brand and delivered nearly 32,000 units over the past 19 years. It is one of the most trusted real estate brands in the UAE. Our strong margins are attributable to our efficient project execution. ‣ We welcome competition as it keeps the market healthy and gives buyers the choice to make an informed decision among various available alternatives.
Expansion into new markets can be challenging due to a lack of familiarity with the culture and the economic condition of new markets.	‣ Outside the UAE, DAMAC has already completed and delivered projects in Jordan, Lebanon, Saudi Arabia and Qatar. ‣ In London and The Maldives, DAMAC is exploring market opportunities as a minority partner through a joint venture entity that is undertaking the DAMAC projects.
The inability to replenish the land bank threatens growth.	‣ DAMAC carefully and continuously evaluates its land bank portfolio. Prudent land purchases are undertaken to replenish the depleting land inventory at freehold locations and at reasonable prices to ensure the financial viability of the project. We are currently sitting on approximately years of land bank inventory.

NATURE OF RISK	How we manage the risk
	➤ The government owns the vast majority of the land in Dubai, and sales of land are one of the major sources of revenue for it. Since our IPO in 2013, we have acquired land from various government owned entities for over AED 3.7 billion (USD 1 billion). This has put us in an excellent position for further land acquisitions. ➤ The management is dynamic and adjusts to the market environment to create products in line with prevalent demand conditions.

PROJECT RISKS

NATURE OF RISK	How we manage the risk
Execution risk can result in projects under development being delayed, suspended or terminated.	➤ DAMAC's management ensures the Company complies with all development regulations, meets customer expectations, and maintains the quality of its developments. ➤ We engage world-class contractors and sub-contractors with demonstrated ability to execute, and we continuously monitor their progress to abide by project timelines and delivery schedules. ➤ Financially, we aim to cash de-risk a project through sufficient off-plan sales and cash collections as early as possible in its lifecycle. This helps to avoid any funding constraints during the development of the project.
DAMAC depends on third-party contractors and sub-contractors to deliver its projects.	➤ Contractors are thoroughly screened before and during the engagement process. ➤ DAMAC's in-house technical team oversees all contractors to ensure timely delivery. ➤ Contractors' operation and working practices are supervised and monitored regularly by senior management. ➤ Agreements with contractors enable us to retain 5-15 per cent of the 'work done amount', which is held for one year after the completion of a project until the Defect Liability Period (DLP) has passed.
Brand associations – DAMAC has launched various co-branded residences across projects. Inability to maintain relationships might impact the project.	➤ DAMAC has launched several co-branded residential units with various global luxury brands such as Versace Home, Just Cavalli and The Trump Organization, Radisson; DAMAC is not dependent on any single brand. ➤ Branded units constitute a small percentage of the overall DAMAC project pipeline where our focus is clearly on further enhancing the profile of the DAMAC brand.

FINANCIAL & LIQUIDITY RISKS

NATURE OF RISK	How we manage the risk
Credit risk – DAMAC mainly follows an off-plan sales approach; risk of customer default is high.	➤ Collection of instalment payments from purchasers, on average 20 per cent of unit value, results in significant upfront payment and minimises risk of default. DAMAC maintains a very prudent and stringent approach to this, and it is a cornerstone of our overall strategy. ➤ A large and diversified customer base results in low concentration of credit risk. Dubai regulations allow developers to retain a significant portion of consideration in the event of default by customers.
Leverage – excessive use of debt and inability to service debt commitments.	➤ DAMAC intends to use debt to maintain an efficient capital structure. Debt is utilised to fund land acquisition and other corporate purposes. The majority of debt currently on our balance sheet is due for repayment in April 2022 & 2023, all our listed Sukuk instruments trade on Nasdaq Dubai. DAMAC's in-house technical team oversees all contractors to ensure timely delivery. ➤ We have always maintained a net cash position since 31st December 2012. As of 31st December 2020, we have gross debt of AED 3.2 billion and cash and bank balance of AED 4.2 billion. Our free available cash is AED 1.8 billion as at 31st December 2020. ➤ In addition to this, we also hold liquid financial investments in the form of marketable securities of AED 492 million as at 31st December 2020.
Foreign exchange risk – foreign exchange fluctuations pose a risk in a volatile exchange rate environment.	➤ The Company has some projects in other Middle Eastern countries apart from the UAE but the majority of the Company's revenues, costs and capital expenditure are either priced, incurred, payable or otherwise measured in AED, which is USD-pegged.
Cash flow constraints – insufficient cash to fund project development.	➤ DAMAC complies with all development regulations, including escrow rules. The construction components of the developments are mainly funded by customer advances. ➤ Management periodically reviews cash flow and commitments for each project on its individuality and totality basis. It seeks to cash de-risk a project / phase from a construction cost perspective before launching a new phase / project. ➤ Management also forecasts cash flows and uses debt to bridge the timing gap and to meet working capital requirements.

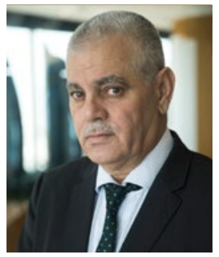

Celestia, Dubai

GOVERNANCE REPORT

DAMAC Executive Heights, Dubai

BOARD OF DIRECTORS

Hussain Sajwani
CHAIRMAN



Sofyan Al Khatib
Board Member

Farooq Arjomand
Board Member

Yahya Nooruddin
Board Member

Ali Malalla Binjab
Board Member

DAMAC Paramount Tower Hotel & Residences, Dubai

CORPORATE GOVERNANCE

DAMAC acknowledges the importance of good governance and follows the corporate governance best practices in compliance with the Resolution No 7 / RM of 2016 concerning the standards of institutional discipline and governance of public shareholding companies issued by the Securities and Commodities Authority, and the federal law no 2 of 2015 regarding the commercial companies.

The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business. DAMAC has adopted a Corporate Governance Manual, which details the corporate governance and policies that regulate and form the basis of the Company's governance policies.

The Board is ultimately responsible for ensuring that the Company complies with its legal and regulatory obligations, the Company's Articles of Association and the duties towards shareholders. The corporate governance process is implemented by the management, independently monitored for effectiveness by the Board, and assisted by the following Board committees:

1. Audit, Compliance & Risk Committee ('ACR Committee')
2. Nomination & Remuneration Committee ('N&R Committee')

In addition to the above committee(s), the Board is assisted by external and internal auditors, and Company officers and employees including General Manager and Group Chief Financial Officer, Compliance and Risk Officer and other members of the management.

During 2020, the following meetings took place:

- The Board – 8 meetings
- Audit Risk & Compliance Committee – 4 meetings
- Nomination & Remuneration Committee – 1 meeting

The Board meetings had majority attendance by members' participation. The agendas of the Board meetings included forward-looking strategic issues with a balance of performance reporting review, approval of policies required for the Company's operations and strategic decisions. The Board monitored the integrity of the financial statements and any formal announcements relating to the Company's performance, and reviewed any significant financial judgements contained in them. Board discussions were supported by relevant and focused papers distributed well in advance of the meetings.

The following section describes the key governance structures and internal controls operating within the business.

BOARD CONSTITUTION AND PROCEDURES

The Board comprises five members, of which three are Independent and two are Non-Independent:

NAME	BOARD POSITION
Hussain Sajwani	Chairman
Farooq Arjomand	Vice Chairman & Independent Member
Nabil Alyousuf*	Independent Member
Yahya Nooruddin	Independent Member
Sofyan Al Khatib	Non-Independent Member

The Board has procedures that enable it to review critical business issues in a disciplined manner, to provide leadership within a framework of prudent and effective controls, and to assess and manage risk.

The Chairman is responsible, among other things, for the running of the Board and communications with all Directors and stakeholders. He ensures that all members of the Board receive sufficient information on agenda items, including financial, business and corporate issues.

*Mr. Nabil Alyousuf resigned from his position as a board member in Dec 2020. The board of Directors have appointed Mr. Ali Malalla Binjab as a board member in place of the resigning member.

AUDIT, COMPLIANCE & RISK COMMITTEE

The Board of Directors approved the formation of an Audit Committee on 21st April 2015, in compliance of the Corporate Governance Manual and same was renamed on 31st December 2015 as the Audit, Compliance and Risk Committee ("ACR Committee"). The ACR Committee is comprised of the following Board Members:

SN	NAME	ROLE	CAPACITY
1.	Mr. Yahya Nooruddin	Chairman	Independent Member
2.	Farooq Arjomand	Member	Independent Member
3.	Mr. Nabil Alyousuf *	Member	Independent Member

*Mr. Nabil Alyousuf resigned from his position as a board member in Dec 2020. The board of Directors have appointed Mr. Ali Malalla Binjab as a board member in place of the resigning member.

The main duties of the ACR Committee include, but are not limited to, the following in respect of which the Committee shall:

a. Develop and apply the policy for appointment of the external auditors and make a report to the Board to set forth the issues in respect of which an action shall be adopted together with recommendations on necessary steps to be adopted;

b. Follow up and oversee the independence and objectivity of the external auditor and hold discussions with the external auditor on the nature, scope and efficiency of auditing pursuant to approved audit standards;

c. Oversee the integrity of and review the Company's financial statements and annual, semi-annual and quarterly reports in the course of its operations during the year and shall, in particular, focus on:

   I. any changes of accounting policies and practices;

   II. highlighting matters that are subject to the management's judgement;

   III. material amendments emerging out of auditing;

   IV. adherence to the accounting criteria set by the Authority; and

   V. adherence to listing and disclosure rules as well as other financial reporting legal requirements;

d. Co-ordinate with the Board, the executive management and the financial manager or the manager assuming the same duties in the Company in order to fulfil its duties. The Committee shall hold a meeting with the Company's external auditor at least once per annum;

e. Consider any outstanding unconventional issues that are, or have to be, reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the Compliance and Risk Officer or the external auditor;

f. Review the Company's financial control, internal control and risk management systems;

g. Lay down the scope of, and review, the findings and suggestions of the Compliance and Risk Officer and suggest appropriate corrective measures to the management of the Company;

h. Discuss the overall internal control system with management and make sure that it fulfils its duty to develop an effective internal control system;

i. Consider findings of main investigations into internal control issues to be assigned thereto by the Board or at the initiative of the Committee upon the approval of the Board;

j. Ensure co-ordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body;

k. Review the Company's financial and accounting policies and procedures;

l. Review the mission and action plan of the external auditor and any material enquiries raised by the auditor to the management in respect of accounting records, financial accounts or control systems, respond thereto and approve them if required;

m. Make sure that the Board responds on a timely basis to enquiries and material issues raised in the external auditor's mission;

n. Develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations;

   Oversee the scope of the Company's compliance with its code of conduct and conflict of interest by the Board members and management of the Company;

o. Ensure application of the rules of operation in connection with their duties and powers assigned thereto by the Board;

p. Make a report to the Board on the issues set in this clause;

q. Consider any other issues as the Board may determine.

NOMINATION & REMUNERATION COMMITTEE

The Board of Directors has constituted a committee of the Board known as the Nomination & Remuneration Committee (N&R Committee). The N&R Committee met once during 2020 and it comprises the following Board Members:

SN	NAME	ROLE	CAPACITY
1.	Farooq Arjomand	Chairman	Independent Director
2.	Nabil Alyousuf*	Member	Independent Director
3.	Yahya Nooruddin	Member	Independent Director

*Mr. Ali Malalla Binjab has replaced Mr. Nabil Alyousuf as a member in the N&R Committee as of Dec 2020

The main duties of the N&R Committee include (but are not limited to) the following:

a. Verification of the ongoing independence of Independent Board Members;

b. Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to Board members and employees of the Company. The committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance;

c. Determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection;

d. Formulation, supervision of application and annual review of the Company's human resources and training policy;

e. Organisation and follow-up of the procedures of nomination to the membership of the Board in line with applicable laws and regulations;

f. To develop a policy for nomination for Board membership aimed at observing diversity of genders in the Board formation and encouraging females to nominate for the Board membership of the Company;

g. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary to the Board for approval;

INTERNAL CONTROL

The Board of Directors acknowledges that it is responsible to the shareholders for creating and delivering sustainable value through the management of the businesses, hence the Board of Directors has an overall responsibility for ensuring that executive management designs and implements an effective internal control system, which provides assurance of effective and efficient operations, accurate financial reporting and compliance with applicable laws and regulations.

The ACR Committee is delegated by the Board of Directors to oversee the internal control systems and to update the Board periodically on the resourcing, testing, and defectiveness of internal controls in the Company.


Interiors by Versace Home - DAMAC Tower Nine Elms, London

DIRECTORS' RESPONSIBILITIES

The Company is compliant with International Financial Reporting Standards (IFRS). The Directors prepare the financial statements for each financial year, which give a true and fair view of the affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The Directors confirm they have complied with the requirements of the IFRS in preparing the financial statements. They are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing the financial statements the Directors are required to:

- Ensure that the financial statements comply with the Memorandum and Articles of Incorporation and IFRS
- Select suitable accounting policies and apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable and prudent
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

HUSSAIN SAJWANI
CHAIRMAN

SOFYAN AL KHATIB
DIRECTOR

DAMAC Residenze, Dubai

DIRECTORS' REPORT

The Board of Directors has the pleasure in submitting their report together with the consolidated financial statements of DAMAC Properties Dubai Co. PJSC (the "Company") and its subsidiaries (together the "Group") for the financial year ending in 31 December 2020.

Revenue for the year stood at AED 4,671 million (FY2019: AED 4,399 million) and net loss for the period was AED 1,039 million (FY2019: AED 37 million). As of 31 Dec 2020, total assets were at AED 21,136 million (31 Dec 2019: AED 23,825 million) and shareholder's equity stood at AED 12,990 million (31 Dec 2019: AED 14,073 million), total shares issued remained unchanged at 6,050 million shares. Profit during the year was adversely impacted by non-cash items such as impairment on development properties worth AED 1,325 million and impairment on trade receivables amounting to AED 147 million due to prevalent market conditions.

Gross debt stood at AED 3,195 million with cash and bank balance at AED 4,242 million. Cash generated from operations during the period was AED 889 million.

To safeguard the interest of our stakeholders, we have substantially reduced new launches over the last few years to avoid adding new capital commitments. We have been focusing on selling completed and near completion inventory in 2020 and would continue to do so in 2021. We continue to believe that the long-term prospects of the Dubai real estate market can offer sustainable growth to its investors and residents alike.

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

Consolidated financial statements discloses significant related party transactions in Note 20 of the financial statements. All these transactions have been carried out in normal course of business and in compliance with applicable laws and regulations. To the best of our knowledge, the financial information included in the report fairly presents in all material aspects the financial condition, results of operation and cash flows of the Group as of 31 December 2020.

On behalf of the Board of Directors,

HUSSAIN SAJWANI
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO.PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of DAMAC Properties Dubai Co. PJSC, the "Company" and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters, that in our professional judgement were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO.PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters | **How the matter was addressed in our audit**

Revenue recognition of development properties

Key Audit Matters

Revenue is recognised both at a point in time and over a period of time and takes into consideration the nature of the contract and the relevant laws and regulations of the jurisdiction in which it has entered the contract with its customers, and disclosed in note 3.14 to the consolidated financial statements.

Development properties of the Group includes villas, apartments, commercial units and plots of land. Revenue recognition on sale of these development properties has been assessed as a key audit matter due to the significance of judgements and estimations involved. The key judgement and estimation include:

- the ability of the Group to enforce payment for work completed under the terms of its contract thereby meeting the criteria for revenue recognition over time;
- the total expected cost of completion of the real estate development to which the sold unit belongs;
- likelihood of collection of the remaining sales consideration;
- variable consideration agreed in the sales purchase agreement as a part of transaction price;
- the amount of costs to complete the projects to complete the development as committed.

Due to the significance of the assessment of satisfaction of performance obligations, estimation of total cost of project completion and judgements made in assessing the timing of revenue recognition, revenue recognition on property development has been assessed as a key audit matter.

How the matter was addressed in our audit

We verified a sample of underlying contracts for sale of real estate units to assess the management's identification of performance obligations and determination of whether the revenue shall be recognised over time or at a point in time based on the requirements of IFRS 15 – Revenue from Contracts with Customers. In order to satisfy ourselves on the over a period of time recognition of revenue, we have checked whether the Group has enforceable right to payment for performance completed to date under these contracts. We have assessed the controls involved in respect of revenue recognition of the Group and tested the operating effectiveness of the controls relevant for the audit, which include:

- Controls implemented by the Group on the approval of budgeted cost and any variations in the budgeted cost.
- Controls surrounding approval and processing of cost incurred on the projects.
- Controls around the percentage of completion calculation used for revenue recognition.

In addition, we have also performed substantive audit procedures for a sample of transactions and:

- Verified that the Group has appropriately recognised revenue as per the terms of contract and the requirements of IFRS 15, based on the relevant jurisdiction that the project is located.
- Verified the reasonableness of assessment performed by the management for assessing the total costs to complete for the respective projects.
- Recalculated revenue and compared with management's calculation.
- Verified that the disclosures included in the consolidated financial statements meet the disclosure requirements of IFRS 15.

We have also assessed the reasonableness of percentage of completion of a sample of properties under development by comparing from independent sources.

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO.PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters	How the matter was addressed in our audit
Impairment review of development properties	
The Group's development properties as at December 31, 2020 includes land held for future development, properties under development and completed properties held in inventory, which are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group has reviewed the development properties by assessing the net realisable value of each project. The realisable values of development properties are determined by the management at each reporting date based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS), and are reflective of the economic conditions prevailing as at the reporting date. As explained in notes 3.4 and 8 to the consolidated financial statements, the valuation method used for 'properties under development' is the residual valuation method which is based on a discounted cash flow approach. The valuation method used for 'completed properties' and 'land held for development' is the comparable method. The prevailing market conditions due to the Covid-19 outbreak, has impacted the real estate markets due to lower levels of transactions and decrease in the market comparable prices. The Group has considered the impact due to Covid-19 in its assessment of determining the net realisable value of the development properties. The valuation methods used involve a degree of complexity and further involves significant judgements and estimates. As explained in note 4, due to the prevailing Covid-19 pandemic situation, valuer has considered material uncertainty in valuing the Group properties.	We assessed the qualifications and expertise of independent third-party valuers and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We performed testing on sample of inputs to satisfy ourselves of the accuracy of the data provided to the external valuers. We have discussed the source data and the related estimation uncertainties with various project officers and management. We have also involved our internal real estate valuation specialists in verifying the valuation of the selected properties and assessed whether the valuation of properties was performed in accordance with requirements of IFRS 13 Fair Value Measurement. The verification of the valuations included discussions with management and the independent valuer and consideration of overall reasonableness of the assumptions, including the key assumptions related to the impact of Covid-19, used in determining the net realisable value of the development properties. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we extended our audit procedures and, when necessary, held further discussions with the management.

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO.PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters	How the matter was addressed in our audit
Impairment review of development properties	
The existence of significant estimation uncertainty and the significance of amounts warrants significant audit attention in this area. Any variation in the estimation / assumptions used for the valuation of the property could have a material impact on the consolidated financial statements of the Group. More details about valuation methods and key assumptions used for the valuation of the development properties are disclosed in notes 3.4, 4 and 8 to the consolidated financial statements.	

Other Information

The Board of Directors and management are responsible for other information. The other information comprises the annual report of the Group. We have obtained the Directors' Report prior to the date of this audit report, and the remaining information of the annual report is expected to be made available to us after the date of this audit report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance or conclusion thereon.

In connection with the audit of consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appear to be materially misstated.

If based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, and if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the U.A.E. Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

BDO

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO.PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (Continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

BDO

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO.PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore key audit matters. We describe these matters in our auditor's report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

As required by the U.A.E. Federal Law No. (2) of 2015, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Director's report is consistent with the books of account of the Group;
- Notes 9 and 11 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended December 31, 2020;
- Note 20 to the consolidated financial statements discloses material related party transactions and balances and the arrangements in this regard;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended December 31, 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its consolidated financial position as at December 31, 2020; and
- Note 23 to the consolidated financial statements discloses the social contributions made during the year.

BDO CHARTERED ACCOUNTANTS & ADVISORS
Dubai

Mohamed Afzal Koya Ali
Reg. No. 522
30 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Cash and bank balances	6	**4,242,238**	4,645,848
Trade and other receivables	7	**7,029,139**	8,010,115
Development properties	8	**7,783,004**	9,527,253
Investment in associate	9	**293,000**	-
Other financial assets	10	**729,246**	870,394
Financial investments	11	**762,912**	369,753
Right-of-use assets	12	**59,637**	92,458
Property and equipment	13	**63,898**	128,040
Investment properties	14	**172,647**	180,771
Total assets		**21,135,721**	23,824,632
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**6,050,000**	6,050,000
Statutory reserve	3.10	**903,497**	903,497
Fair value reserve		**(43,459)**	-
Retained earnings		**6,079,883**	7,119,355
Total equity		**12,989,921**	14,072,852
Liabilities			
Trade and other payables	16	**2,818,052**	3,445,590
Advances from customers	17	**2,067,676**	2,371,228
Lease liabilities	12	**65,314**	93,370
Bank borrowings	18	**124,834**	549,681
Sukuk certificates	19	**3,069,924**	3,291,911
Total liabilities		**8,145,800**	9,751,780
Total equity and liabilities		**21,135,721**	23,824,632

HUSSAIN SAJWANI
CHAIRMAN

SOFYAN AL KHATIB
DIRECTOR

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Continuing operations			
Revenue	21	**4,670,562**	4,399,217
Cost of sales		**(3,599,298)**	(3,108,310)
Gross profit		**1,071,264**	1,290,907
Other operating income	22	**159,123**	136,541
General, administrative and selling expenses	23	**(794,142)**	(975,602)
Amortisation of right-of-use assets	12	**(32,821)**	(32,820)
Depreciation	13,14	**(29,072)**	(31,301)
Provision for impairment on property and equipment	13	**(50,490)**	-
Provision for impairment on development properties	8	**(1,325,059)**	(124,374)
Provision for impairment on trade receivables	7	**(146,718)**	(41,324)
Operating (loss) / profit		**(1,147,915)**	222,027
Gain on sale of financial investments at fair value through profit or loss (FVTPL)		**115,934**	
Other income	24	**75,803**	98,011
Finance income	25	**46,315**	150,743
Finance costs	26	**(236,099)**	(290,999)
Gain on fair value of financial investments at fair value through profit or loss (FVTPL)	11	**33,910**	-
Reversal/ (Provision) for value added tax	27	**72,580**	(216,661)
Loss for the year		**(1,039,472)**	(36,879)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Valuation loss on fair value through other comprehensive income equity investments	11	**(43,459)**	
Total comprehensive loss for the year		**(1,082,931)**	(36,879)
Earnings per share			
Basic and diluted (AED)	33	**(0.1718)**	(0.0061)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2020

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Fair value reserve AED'000	Total AED'000
Balance at 1 January 2019	**6,050,000**	**903,497**	**7,156,234**	**-**	**14,109,731**
Loss for the year			(36,879)	-	(36,879)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(36,879)**	**-**	**(36,879)**
Balance at 31 December 2019	**6,050,000**	**903,497**	**7,119,355**	**-**	**14,072,852**
Loss for the year	-	-	(1,039,472)	-	(1,039,472)
Other comprehensive income	-	-	-	(43,459)	(43,459)
Total comprehensive income for the year	**-**	**-**	**(1,039,472)**	**(43,459)**	**(1,082,931)**
Balance at 31 December 2020	**6,050,000**	**903,497**	**6,079,883**	**(43,459)**	**12,989,921**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

as at 31 December 2020

	2020 AED'000	2019 AED'000
Cash flows from operating activities		
Loss for the year	**(1,039,472)**	(36,879)
Adjustments for:		
Depreciation on property and equipment and investment properties (notes 13 and 14)	**29,072**	31,301
Amortisation on right-of-use assets (note 12)	**32,821**	32,820
Provision for employees' end-of-service indemnity (note 16)	**6,770**	12,998
Amortisation of issue costs on sukuk certificates (note 19)	**5,036**	6,231
Loss on disposal of property and equipment	**610**	881
Provision for impairment on development properties (note 8)	**1,325,059**	124,374
Provision for impairment of property and equipment (note 13)	**50,490**	-
Provision for impairment on trade receivables (note 7)	**146,718**	41,324
(Reversal)/ Provision for value added tax	**(72,580)**	216,661
Finance costs (note 26)	**236,099**	290,999
Finance income (note 25)	**(46,315)**	(150,743)
Gain on sale of financial investments at FVTPL	**(115,934)**	-
Gain on fair value of financial investments at FVTPL (note 11)	**(33,910)**	-
Gain on repurchase of sukuk certificates	**(23,329)**	-
Operating cash flows before changes in operating assets and liabilities	**501,135**	569,967
Decrease in trade and other receivables	**832,500**	66,456
Decrease / (Increase) in development properties	**419,190**	(437,105)
Decrease in trade and other payables	**(542,912)**	(268,735)
Decrease in advances from customers	**(303,552)**	(246,583)
Employee end-of-service indemnity paid (note 16)	**(16,975)**	(11,061)
Net cash from / (used) in operating activities	**889,386**	(327,061)
Cash flows from investing activities		
Purchases of property and equipment (note 13)	**(7,906)**	(11,348)
Decrease / (Increase) in financial investment (note 11)	**55,837**	(86,680)
Proceeds from sale of financial investment at FVTPL	**573,159**	-
Investment in associate (note 9)	**(293,000)**	-
Decrease in other financial assets (note 10)	**141,148**	184,873
(Increase) / Decrease in deposits with an original maturity of greater than three months	**(446,917)**	143,230
Interest received	**48,072**	153,081
Acquisition of financial investments at FVTPL	**(915,770)**	-
Net cash (used in) / generated from investing activities	**(845,377)**	383,156

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

as at 31 December 2020

	2020 AED'000	2019 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings (note 18)	**-**	220,359
Repayment of bank borrowings (note 18)	**(397,708)**	(365,029)
Redemption and repurchase of sukuk certificates (note 19)	**(203,694)**	(994,754)
Repayment of principal lease liabilities (note 12)	**(28,056)**	(31,908)
Finance costs paid	**(237,940)**	(296,345)
Net cash used in financing activities	**(867,398)**	(1,467,677)
Net decrease in cash and cash equivalents	**(823,389)**	(1,411,582)
Cash and cash equivalents at the beginning of the year (note 6)	**4,131,307**	5,542,889
Cash and cash equivalents at the end of the year (note 6)	**3,307,918**	4,131,307

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2020

1. General information

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

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

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

2 Basis of preparation and statement of compliance

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the applicable requirements of the laws in the U.A.E.

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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 in 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 consolidated financial statements continue to be prepared on the going concern basis.

Basis of measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value at the end of each reporting period. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

2 Basis of preparation and statement of compliance (Continued)

2.2 Basis of preparation (continued)

Basis of measurement (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

In the light of rapid spread of Covid-19, which was declared as a Pandemic by World Health Organization ("WHO") during March 2020, various economies and sectors have faced significant disruptions due to global travel restrictions and total lockdowns 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 the delay the spread of Covid-19. The Group has considered the impact of Covid-19 outbreak in these consolidation financial statements. Given the continuous development of the pandemic and its uncertain duration, it is challenging to determine the impact of the pandemic for the future periods. The Group will continue to monitor the situation and assess its impact on the consolidated financial statements for the future periods. The management has assessed the Group's liquidity and financing to be satisfactory and views the financial statements and the Group's performance as a basis for the Group to continue as a going concern.

2.3 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.

Definition of Business (Amendment to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations.

2 Basis of preparation and statement of compliance (Continued)

2.3 New standards, amendments and interpretations (Continued)

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

Covid-19 related rent concessions (Amendment to IFRS – 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

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

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

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

- *IFRS 9 (2014) Financial Instruments (Amendment – Prepayment Features with Negative Compensation and Modification of Financial Liabilities)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*
- *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)*

2 Basis of preparation and statement of compliance (Continued)

2.3 New standards, amendments and interpretations (Continued)

(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.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

- *interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 32, IFRS 7, IFRS 4, and IFRS 16) – effective from January 1, 2021;*
- *onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – Effective from January 1, 2022;*
- *property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) – Effective from January 1, 2022;*
- *annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) – Effective from January 1, 2022; and*
- *references to Conceptual Framework (Amendments to IFRS 3) – Effective from January 1, 2022;*
- *classification of liabilities as current or non-current (Amendments to IAS 1) – Effective from January 1, 2023*

The Group is currently assessing the impact of these new accounting standards and amendments and does not believe that these amendments will have a significant impact on the consolidated financial statements.

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 consolidated financial statements of the Group in the period of initial application.

Others:

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 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. Significant accounting policies

3.1 Basis of consolidation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

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

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

* the holding company includes 92 subsidiaries, the result of which are consolidated in DRED.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investor's interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at bank with original maturities of less than three months less bank overdrafts and are used by the Group in the management of its short-term commitments.

3.3 Financial Instruments

Financial assets

Classification and measurement

Financial assets are regular way purchases or sales that require delivery of assets within the time frame established by regulation or convention in the marketplace. All such regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in the consolidated statement of profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

3. Significant accounting policies (Continued)

3.3 Financial Instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows from payments of principal and interest on the outstanding principal, are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, are subsequently measured at FVOCI;
- all other debt instruments such as debt instruments managed on a fair value basis or held for sale and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable designation at initial recognition of a financial asset on an asset-by-asset basis:
    - the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
    - the Group may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group has financial assets under "trade and other receivables" (excluding prepayments and advances), "other financial assets" and "cash and cash equivalents" that are subject to the expected credit loss model under IFRS 9.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following change in business model. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models for each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. When an equity investment designated as measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is not subsequently reclassified to profit or loss but is reclassified to retained earnings.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

3. Significant accounting policies (Continued)

3.3 Financial Instruments (Continued)

Financial assets (Continued)

Impairment

The Group recognises loss allowances for expected credit losses on 'trade and other receivables', 'other financial assets' and 'cash and bank balances'.

Other than for purchased or originated credit impaired financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (12-month ECL), (referred to as Stage 1); or
- lifetime ECL that result from all possible default events over the life of the financial instrument (lifetime ECL), (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVOCI, the loss allowance is recognised in the OCI.

The Group has elected to measure loss allowances for cash and bank balances, other financial assets and trade and other receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information. For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to loans and advances are presented separately in the consolidated statement of profit or loss and OCI. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

3. Significant accounting policies (Continued)

3.3 Financial Instruments (Continued)

Financial assets (Continued)

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised costs and debt securities at FVOCI are credit impaired.

The Group writes off a financial asset when management assess that there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures. Any recoveries made are recognised in profit or loss.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

These financial liabilities are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings and Sukuk certificates are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs, as well as any interest payable while the liability is outstanding.
- Advances from customers, trade and other payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

3.4 Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. These are stated at the lower of cost and net realisable value.

Cost principally includes the cost of the land and construction cost and all other costs which are necessary to get the properties ready for sale. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of development properties recognised in the consolidated statement of profit or loss and other comprehensive income is determined with reference to the costs incurred on the property sold to the extent of work completed.

Borrowing costs that are directly attributable to the construction of a qualifying asset are included in the cost of the asset.

3. Significant accounting policies (Continued)

3.5 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is the construction costs and/or purchase consideration together with any incidental costs of acquisition.

Cost includes construction costs and professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

	Years
Buildings	10
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income.

3.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including investment property under construction for such purposes). Investment properties are measured initially at cost, including related transaction costs, less accumulated depreciation and any accumulated impairment losses in accordance with the cost model of IAS 40: Investment property.

Depreciation is charged so as to write-off the cost of completed investment properties on a straight-line basis over the average estimated useful lives of 25 years.

The useful lives and depreciation method of investment properties are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these properties.

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the consolidated statement of profit or loss and other comprehensive income in the period in which the property is derecognised.

Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. Such transfers are made at the carrying value of the properties at the date of transfer.

3. Significant accounting policies (Continued)

3.7 Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit, typically the development project, to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 Leases

Leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated based on the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

3. Significant accounting policies (Continued)

3.8 Leases (Continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

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.

3.9 Share Capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

3. Significant accounting policies (Continued)

3.10 Statutory reserve

As required by the U.A.E. Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid-up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Provision for employees' end-of-service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period as stipulated in the Labour Laws of the respective countries of operations. The expected costs of these benefits are accrued over the period of employment. Pension and national insurance contributions for U.A.E. Nationals are made by the Group in accordance with Federal Law No. 7 of 1999 (as amended).

3.13 Value added tax

Value added tax (VAT) asset/liability is recognised in the books on the basis of regulations defined by Tax authorities of the relevant jurisdictions.

Expenses and assets are the recognised net of the amount of value-added tax, except:

- When the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the financial statements.

During the ordinary course of business, the Group has certain transactions on which the ultimate output VAT is determined based on best interpretations of the applicable laws and industry practices. The Group has classified the service apartment as a residential unit for the purpose of considering output VAT.

3. Significant accounting policies (Continued)

3.14 Revenue recognition

Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date.

In cases where the Group determines the performance obligations are satisfied at a point in time, revenue is recognised when control over the assets is transferred to the customer.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability. Development properties sold by the Group include warranties which require the Group to rectify any defective works during the warranty period. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations. The Group's obligation of refund liability upon termination of contract with customers are governed by the contract and the regulations prevailing in the respective jurisdictions.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements.

3. Significant accounting policies (Continued)

3.14 Revenue recognition (Continued)

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

Property management fees

Management fees principally relate to property management services provided to owners of the Group's completed developments. Revenue in respect of these fees is recognised in line with the property management contracts and, following the accrual basis, is recognised in the period to which the services relate.

Income from deposits

Income from deposits is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Income from deposits is accrued on a timely basis, by reference to the principal outstanding and at the effective profit or interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.15 Foreign currencies

At each reporting date, monetary items denominated in foreign currencies are retranslated at the closing rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

3.16 Taxation

There is no income tax applicable to the Group operations in the U.A.E. In jurisdictions other than the U.A.E., in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Group. Where applicable, provision is made for current and deferred taxes arising from the operating results of overseas subsidiaries that are operating in taxable jurisdictions in accordance with relevant tax regulations in respective countries in which the Group operates. Expense on the statement of profit or loss and other comprehensive income is the expected tax payable on the current year taxable income using prevailing rates at reporting date, and any adjustments to the tax payable in respect of prior years.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Board of Directors are the chief operating decision makers of the Group. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property and equipment or development property. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property and equipment and development property. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 40, IAS 16 and IAS 2, and in particular, the intended usage of property as determined by the management.

Fair value of investment properties

The Group has determined the fair value of the investment properties based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). The fair value has been determined using the comparative and investment methods, where the valuer has analysed appropriate comparable investment and rental transactions, together with the demand within the vicinity of the investment properties, after taking to consideration, size, location, terms and other material factors. In estimating the fair value of investment properties, management believes that the highest and best use of the property is their current use.

Financial investment at FVOCI

Financial investment measured at fair value through other comprehensive income represents the Group's 20% equity interest in a related entity (note 11). Management has assessed the impact of IAS 28 Investments in Associates and Joint Ventures and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

Satisfaction of performance obligations under IFRS 15 Revenue from Contracts with Customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

4. Critical accounting judgements and key sources of estimation of uncertainty (Continued)

Critical judgements in applying accounting policies (Continued)

Determination of transaction prices

In the process of determining transaction prices in respect of its contracts with customers, the Group assesses impact of any variable consideration in the contract due to discounts, penalties, the existence of any significant financing component or any non-cash consideration. In determining the impact of variable consideration, the Group uses the most likely amount method under IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation, provides the best reference to revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

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 Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the date of initial application upon transition to IFRS 16. The lease payments are discounted using its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing has been received.

Distinguishing between business combination and acquisition of an asset

The Group distinguishes a transaction or other event as business combination i.e. obtaining control of one or more businesses, and acquisition of an asset or a group of assets, based on management's judgement on whether a particular set of assets and activities consist of inputs and processes applied to those inputs, which together are or will be used to provide goods or services to customers, generating investment income or generating other income from ordinary activities. During the year, the Group acquired 100% equity interest of an entity from a related party. For more details refer Note 20 (v). Further, during the year the Group has acquired 100% equity interest of two entities, through a share purchase agreement from a third party. This share purchase transaction has been accounted for as an acquisition of assets, as it does not constitute a business under IFRS 3 Business Combinations.

4. Critical accounting judgements and key sources of estimation of uncertainty (Continued)

Critical judgements in applying accounting policies (Continued)

Recognising income from Collections on Cancelled Apartments (COCA)

Upon termination or cancellation of contracts with customers, amounts received from customers become refundable subject to forfeiture clauses contained in the original sale contract documents and as per local real estate regulations. Forfeited amounts are carried as liability on the consolidated statement of financial position upon cancellation/termination of the contract. Amounts forfeited on cancelled/terminated property units (net of customer refunds, where applicable) are subsequently recognised in the consolidated statement of profit or loss based on management's judgement on whether the Group expects any future association with the customer.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Assessment of key sources of estimation uncertainty due to Covid-19

The Group continues to assess the impact of Covid-19 outbreak on its operations on a regular basis. However, the outbreak is evolving rapidly, due to factors such as the virus transmission rate, the duration of the outbreak and precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic. 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 realisable 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. Refer to notes 7, 8 and 11 for further details. The Group has exercised significant judgements in evaluating the impact of the outbreak and shall consider reassessing such judgements and estimates in future reporting periods as the condition evolves.

Cost to complete the projects

At each reporting date, the Group is required to estimate costs to complete its development projects. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. The Group uses its commercial teams together with project managers to estimate the costs to complete the development projects. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated based on the requirement.

Impairment of property and equipment

The Group assesses whether there are any indicators of impairment for property and equipment at each reporting date. Property and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. During the year, the Group has evaluated the impairment of golf building and the impairment has been accounted for of AED 50 million.

4. Critical accounting judgements and key sources of estimation of uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

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 due to the impact of the Covid-19 outbreak, in particular the decline in sale prices and expected recoverable amounts outstanding from its customers. Further, the Group has amounts outstanding from customers located in Lebanon, arising out of its operations in Lebanon. Due to the economic crisis prevailing in Lebanon, the Group expects that there will be an increase of the counterparty risk from customers and hence has reviewed the expected credit loss on trade and other receivables.

The Group has reviewed the expected credit loss on trade and other receivables and charged loss allowances of AED 147 million to the statement of profit or loss and other comprehensive income for year ended December 31, 2020.

Impairment of investment properties

The Group assesses whether there are any indicators of impairment for investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts are higher than their fair values.

At 31 December 2020, the Group has estimated the market value of its investment properties on the basis of valuation carried out by an independent external valuation expert. For more details refer to Note 14.

Net realisable value of development properties

The realisable values of development properties were determined by the management based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS), and are reflective of the economic conditions prevailing as at the reporting date, and changes in the development plan of certain projects.

The valuation method used for 'properties under development' was the residual valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. This method entails estimating the gross realisation from the projected sales price of the properties. From this is deducted the outstanding estimated cost to service the property including a developer's margin to arrive at a residual value. These 'properties under development' have not been impacted due to the Covid-19 outbreak due to sufficient head room available based on the external valuation performed as at the year ended 31 December 2020.

The resultant value expressed in net present value terms represents the estimated price that a well-informed rational and efficient developer or investor would pay for the subject property. The method takes into account the time value of money concept where future cash flows are discounted at rates ranging from 10% to 20% (2019: 10% to 20%) depending on the nature and scale of the project under development and the timeframe over which it is expected to be developed. The properties are expected to be developed over a period varying between 1 to 5 years.

The valuation method used for 'completed properties' and 'land held for development' was the comparable method which is based on similar transactions in the market adjusted for market risk, legal risk and property risk inherent to each of the properties. The lower levels of transactional activities, liquidity and market prices have impacted the comparable prices determined by the independent valuer in arriving at the realisable value of these properties. This has led to impairment provision against the carrying value of these properties. Refer to note 8 for details.

4. Critical accounting judgements and key sources of estimation of uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Net realisable value of development properties (Continued)

The external valuers have provided a material valuation uncertainty clause in the valuation report to determine the net realisable value of development properties, due to the reduced transactional evidence as a result of unprecedented circumstances caused by the Covid-19 pandemic. This does not imply that the valuation is not reliable but is included to ensure transparency and to provide insight of the market context under which the valuation was prepared. Due to the evolving conditions of the pandemic, it is inevitable that there is a material uncertainty and the key assumptions considered in the valuation of development properties may undergo a change during the future periods.

Based on the above, the Group reviewed the carrying value of development properties and provided an additional provision of impairment of AED 1,325 million to the statement of profit or loss and other comprehensive income for the period ended 31 December 2020.

The Group carries development properties located in Lebanon amounting to AED 183 million as at 31 December 2020. Due to the economic crisis prevailing in Lebanon and the minimal liquidity in real estate market, the management has assessed impairment on the carrying value of these development properties based on the comparable value determined by the independent valuer, which has led to write down of the carrying value of these development properties.

Fair value of financial investments

Financial investment in DAMAC International Limited, a related party whose principal activity is property development, is measured at fair value through other comprehensive income and not held for trading and debt securities. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income as this is considered to be more appropriate for these strategic investments.

At 31 December 2020, Group has reviewed the carrying amount of financial investment in DAMAC Investment Limited, based on an independent external valuer. As a result of this review, the Group recognised fair value loss of AED 43 million, on account of changes in key estimates such as expected sale prices which have declined due to the Covid-19 outbreak.

Financial investments held in quoted equity securities are measured at fair value through profit or loss. At 31 December 2020, Group assessed the fair value through quoted prices in active markets.

Legal proceedings – estimation of claims and legal processes

The Group reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Completion of projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

4. Critical accounting judgements and key sources of estimation of uncertainty (Continued)

Useful lives of property and equipment and investment properties

The costs of property and equipment and completed investment properties are depreciated over the estimated useful lives of the assets. The estimated useful lives are based on the expected usage of the assets and expected physical wear and tear, which depend on operational factors. Management has not considered any residual value as it is deemed immaterial.

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".

	2020 AED'000	2019 AED'000
Revenue		
Domestic	**4,585,046**	4,281,830
International	**85,516**	117,387
	4,670,562	4,399,217
Development properties		
Domestic	**6,668,013**	8,525,051
International	**1,114,991**	1,002,202
	7,783,004	9,527,253

6. Cash and bank balances

	2020 AED'000	2019 AED'000
Cash on hand	**967**	1,662
Cash held in escrow	**2,399,147**	3,445,957
Bank balances	**608,780**	84,845
Fixed deposits	**1,233,344**	1,113,384
Cash and bank balances	**4,242,238**	4,645,848
Fixed deposits with an original maturity of greater than three months	**(934,320)**	(487,403)
Bank overdrafts (note 18)	**-**	(27,138)
Cash and cash equivalents	**3,307,918**	4,131,307

6. Cash and bank balances (Continued)

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 a maturity period of less than and more than three months from the date of placement. As at the year ended 31 December 2020, majority of the fixed deposits earned interest at rates ranging from 1% to 3% (2019: 1% to 3%) per annum.

As at the year ended 31 December 2020, fixed deposits and bank balances of AED 416 million (2019: AED 496 million) are held by banks under lien against credit facilities issued to the Group.

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

As at the year ended 31 December 2020, an amount of AED 2,133 million (2019: AED 2,333 million) is held with Islamic banks and the remaining balance is held with conventional banks.

7. Trade and other receivables

	2020 AED'000	2019 AED'000
Unbilled receivables (i)	**3,526,654**	4,313,599
Trade receivables (ii)	**3,080,405**	2,965,014
Provision for impairment on trade receivables (iii)	**(212,150)**	(65,432)
	6,394,909	7,213,181
Advances and deposits	**470,441**	615,075
Other receivables, prepayments and other assets	**163,789**	181,859
	7,029,139	8,010,115

7. Trade and other receivables (Continued)

(i) Unbilled receivables are contract assets which relate to the Group's right to receive consideration for work completed but not billed as at the year ended 31 December 2020. These are transferred to trade receivables when invoiced as per the milestones agreed in contracts with the customers.

Movement in unbilled receivables during the year is as follows:

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**4,313,599**	4,447,471
Increase due to project progress	**2,156,573**	2,640,917
Transfer to trade receivables	**(2,943,518)**	(2,774,789)
Balance at the end of the year	**3,526,654**	4,313,599

(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 during the year is as follows:

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**(65,432)**	(24,108)
Net provision of impairment during the year	**(146,718)**	(41,324)
Balance at the end of the year	**(212,150)**	(65,432)

The Group has assessed and provided for doubtful trade receivables at the year ended 31 December 2020. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk.

The Group has entered into contracts for the sale of residential and commercial units and plots of land on an installment basis. The installments are specified in the contracts. The Group is exposed to credit risk in respect of installments due. However, the legal ownership of residential, commercial units and plots of land is transferred to the buyer only after all the installments are recovered. In addition, installment dues are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group establishes an allowance for impairment at each reporting date that represents its estimate of expected credit losses in respect of trade, unbilled and other receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group has calibrated the matrix to adjust the historical credit loss experience with forward-looking information.

7. Trade and other receivables (Continued)

The Group expects that there will be an increase of the counterparty risk (risk of default) from customers due to the impact of Covid-19 outbreak, in particular the decline in sale prices and expected recoverable amounts outstanding from its customers. Further, the Group has amounts outstanding from customers located in Lebanon, arising out of its operations in Lebanon. Due to the economic crisis prevailing in Lebanon, the Group expects that there will be an increase of the counterparty risk from customers and hence has reviewed the expected credit loss on trade and other receivables. Based on this review, the Group has recorded an impairment provision for AED 147 million during the year,

Ageing of unbilled and trade receivables that are not impaired is as follows:

	Neither past due nor impaired AED'000	1 – 60 days AED'000	61 – 120 days AED'000	121 – 180 days AED'000	Above 180 days AED'000	Total AED'000
31 December 2020	**3,526,654**	**340,313**	**196,793**	**138,240**	**2,192,909**	**6,394,909**
31 December 2019	4,313,599	409,038	223,628	197,079	2,069,837	7,213,181

Ageing of impaired trade receivables is as follows:

	1 – 60 days AED'000	61 – 120 days AED'000	121 – 180 days AED'000	Above 180 days AED'000	Total AED'000
31 December 2020	**2,395**	**8,519**	**3,142**	**198,094**	**212,150**
31 December 2019	1,601	2,444	3,817	57,570	65,432

8. Development properties

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

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**9,527,253**	9,214,522
Additions	**3,178,988**	3,543,015
Transfer to cost of sales	**(3,598,178)**	(3,105,910)
Provision for impairment	**(1,325,059)**	(124,374)
Balance at the end of the year	**7,783,004**	9,527,253

Impairment of development properties

At 31 December 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 judgement 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. In support of the review work performed, the Group engaged an independent external valuation expert to determine the fair value for each of the projects.

The prevailing market conditions due to the Covid-19 outbreak, has impacted the real estate market due to lower levels of transactions and decrease in the market comparable prices. This has led to significant impairment of the carrying value of development properties. Further, the economic crisis situation in Lebanon has resulted in decrease in market comparable prices, which has also resulted in an impairment of the Group's development property located in Lebanon.

Due to the above-mentioned factors and based on the review performed by the external valuer, an impairment provision of AED 1,325 million has been recorded during the current year (2019: AED 124 million). Out of this, AED 81 million (2019: Nil) pertains to impairment provision in respect of the Group's development property located in Lebanon.

For impairment losses recognised in prior periods, the Group has assessed, based on internal and external sources of information, and concluded that the carrying value of the related development property is appropriately stated as per IAS 2.

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:

	2020 AED'000	2019 AED'000
Land held for future development	**2,688,675**	751,265
Properties under development	**3,094,579**	6,587,276
Completed properties	**1,999,750**	2,188,712
	7,783,004	9,527,253

8. Development properties (continued)

Assets held as development properties (continued)

During the year, the management has assessed that certain properties amounting to AED 2,902 million which were earlier categorised 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".

On September 21, 2020, the Group entered into a share purchase agreement ("SPA"), at a consideration of AED 137 million, to acquire 100% of the issued share capital of Vitus Buckingham Gate Development Limited ("Vitus Buckingham") (previously known as "Luxx – Buckingham Gate Development Limited"), and its subsidiary Buckingham Gate Estates Limited, both companies incorporated in London, United Kingdom, from Luxx PCC Limited, a London Heritage Fund PC, a protected cell company incorporated in Guernsey. As at the date of the SPA, Vitus Buckingham owned only a plot of bare land located in Buckingham Gate, London, United Kingdom and no other assets. The cost of acquisition amounted to AED 137 million, determined based on the fair value of land plot as at the date of the purchase. Vitus Buckingham also had liabilities against loan from financial institution and previous shareholder. These had been settled through the consideration of AED 137 million paid by the Group.

The Group has determined that this acquisition does not constitute a business under IFRS 3 Business Combinations, as there are no inputs and processes applied to these inputs that have the ability to contribute to providing goods or services to the customers, generating investment income, or generating other income from ordinary activities. Accordingly, the Group has accounted for the above transaction as an acquisition of asset. The Group has executed the above acquisition through newly acquired entity, Helios Venture Holding Limited, a company registered in British Virgin Islands. Refer Note 20 for more details.

The Group entered into an agreement for purchase of certain land parcels during 2015, for which the Group has fully settled the purchase consideration during the year, as per the payment plan agreed. The legal formalities in relation to the transfer of title to the Group is under progress as at the reporting date.

No borrowing costs have been capitalised to development properties. The carrying value of development properties located outside the United Arab Emirates as at 31 December 2020 is AED 1,115 million (2019: AED 1,002 million). Ageing of unbilled and trade receivables that are not impaired is as follows:

9. Investment in associate

Pursuant to resolution passed by the board of directors of the Group on 23 December 2020, the Group acquired 25% direct shareholding interest in Nine Elms S.H Co. Ltd, Jersey ("NESH"). NESH has no other business apart from having stake in Nine Elms Property Ltd, Jersey ("NEPL"). Hence, 25% equity value of NESH is representative of 25% equity value in NEPL. NEPL is engaged in developing and selling a project – DAMAC Towers Nine Elms London.

The Group has determined that it holds significant influence over NESH through its 25% shareholding as NESH's articles of association allows the right to each shareholder to appoint a director to the board. Based on this, the Group consider that they have the power to exercise significant influence.

The following entity has been included in the consolidated financial statements of the Group using the equity method:

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 December		Investments in associate held as at 31 December	
		2020	2019	2020 AED'000	2019 AED'000
Nine Elms S.H Co Ltd	Jersey	25%	NIL	293,000	-

9. Investment in associate (Continued)

The following table summarises the financial information of Nine Elms SH Co. Ltd.:

As at 31 December	2020 AED'000
Total assets	**1,921,404**
Total liabilities	**(794,061)**
Period ended 31 December (post-acquisition period)	
Revenue	**-**
Net loss	**(444)**

10. Other financial assets

	2020 AED'000	2019 AED'000
Escrow retention accounts	**718,996**	856,026
Margin deposits	**7,154**	12,249
Other	**3,096**	2,119
	729,246	870,394

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

Other financial assets 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 of the Group 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 of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

At 31 December 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.

As at the year ended 31 December 2020, out of total escrow retention accounts, an amount of AED 380 million (2019: AED 501 million) is held with Islamic banks and the remaining balance is held with conventional banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

11. Financial investments

A) Financial investments at fair value through other comprehensive income

	2020 AED'000	2019 AED'000
Opening balance	**369,753**	283,073
(Decrease) / Increase in investment	**(55,837)**	86,680
Change in fair value in other comprehensive income	**(43,459)**	-
Closing balance	**270,457**	369,753

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

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

At 31 December 2020, Group has reviewed the carrying amount of financial investment in DAMAC Investment Limited, based on an independent external valuer. As a result of this review, the Group recognised fair value loss of AED 43 million, on account of changes in key estimates such as expected sale prices which has declined due to the Covid-19 outbreak.

Financial instrument	Valuation techniques used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Equity instruments	The Group has adopted asset approach to determine the fair value	1. Expected cash flows based on expected sale prices 2. Discount rate of 7%	The higher the discount rate, the lower the fair value of the financial investment

During the year, the Group decreased its investment from AED 370 million to AED 314 million (increased in 2019: from AED 283 million to AED 370 million).

A change of 150 basis points of the expected cash flows would have increased/ (decreased) other comprehensive income for the year by AED 7.4 million.

Subsequent to year ended 31 Dec 2020, the Group acquired additional 25% shareholding in DIL based on a share purchase agreement entered with DICO International Ventures Company Limited. Refer to note 35 for further details.

11. Financial investments (Continued)

B) Financial investments at fair value through profit or loss

	2020 AED'000	2019 AED'000
Opening balance	**-**	-
Additions	**915,770**	-
Disposals	**(457,225)**	-
Change in fair value through profit or loss	**33,910**	-
Closing balance	**492,455**	-

During the period, the Group invested in quoted equity securities listed on the New York stock exchange amounting to AED 804 million, London stock exchange amounting to AED 94 million, and Hong Kong stock exchange amounting to AED 18 million. The Group has sold equity investments amounting to AED 457 million during the period and recognised a gain of AED 115.9 million in the consolidated statement of profit or loss. As at 31 December 2020, the Group has fair valued the quoted equity investments based on published market prices prevailing as at 31 December 2020 and recognised a profit of AED 34 million in the statement of profit or loss. Financial investments at fair value through profit or loss are denominated in the following currencies:

	2020 AED'000	2019 AED'000
USD	**450,109**	-
GBP	**26,141**	-
HKD	**16,205**	-
	492,455	-

12. Right to use of Assets and Lease Liability

Right to use of Assets:

	Land	Others	Total
As at 1 January 2019	65,100	60,178	125,278
Amortisation for the year	(2,731)	(30,089)	(32,820)
As at 1 January 2020	**62,369**	**30,089**	**92,458**
Amortisation for the year	(2,732)	(30,089)	(32,821)
As at 31 Decemeber 2020	**59,637**	-	**59,637**

12. Right to use of Assets and Lease Liability (Continued)

Lease Liability

	Land	Others	Total
As at 1 January 2019	65,100	60,177	125,277
Interest expenses for the year	6,414	4,683	11,097
Lease payments during the year	(6,020)	(36,984)	(43,004)
As at 1 January 2020	**65,494**	**27,876**	**93,370**
Interest expenses for the year	6,443	1,454	7,897
Lease payments during the year	(6,623)	(29,330)	(35,953)
As at 31 December 2020	**65,314**	-	**65,314**

NPV of lease liability

	2020	2019
Within one year	6,622	34,498
Between two to five years	27,152	26,489
After 5 years	31,540	32,383

The group has recognised the lease payments associated with those short-term leases as an expense on a straight-line basis over the period of lease term. The amount of short-term leases charged to the statement of profit and loss during the year is AED 8 million (2019: AED 8 million). Further, the Group has entered into a lease during the current year for which the lease shall commence from 01 Jan 2021 and end on 30 June 2022. The group as a lessee is potentially exposed to the future cashflows amounting to AED 25 million that are not reflected in the measurement of lease liability as at 31 December 2020.

13. Property and equipment

	Buildings	Furniture and fixtures	Tools and office equipment	Motor vehicles	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2019	91,858	76,748	115,802	4,557	288,965
Additions	219	2,942	4,538	3,649	11,348
Disposals	-	-	(883)	(222)	(1,105)
At 31 December 2019	92,077	79,690	119,457	7,984	299,208
Additions	-	2,288	5,311	307	7,906
Disposals	(18)	-	(611)	-	(629)
At 31 December 2020	**92,059**	**81,978**	**124,157**	**8,291**	**306,485**

13. Property and equipment (Continued)

	Buildings	Furniture and fixtures	Tools and office equipment	Motor Vehicles	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Accumulated depreciation and impairment					
At 1 January 2019	6,827	58,826	79,166	3,397	148,216
Charge for the year	8,513	3,190	10,935	538	23,176
Disposals	-	-	(156)	(68)	(224)
At 31 December 2019	15,340	62,016	89,945	3,867	171,168
Charge for the year	8,548	2,669	8,675	1,056	20,948
Impairment losses	50,490	-	-	-	50,490
Disposals	(19)	-	-	-	(19)
At 31 December 2020	**74,359**	**64,685**	**98,620**	**4,923**	**242,587**
Carrying value					
At 31 December 2020	**17,700**	**17,293**	**25,537**	**3,368**	**63,898**
At 31 December 2019	76,737	17,674	29,512	4,117	128,040

Impairment of Golf Club House building

The prevailing market conditions due to Covid-19 outbreak, has impacted the golf operation of the Group due to lower levels of occupancies and a decrease in the market comparable prices. Revenue streams emanating from the Golf Club House have experienced significant reductions since the pandemic's effects became widespread. This has led to significant impairment of the carrying value of golf operation. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for the attached building thereto. The recoverable amount is the higher of fair value less costs of disposal and value in use. Due to the above-mentioned factors and based on the review performed by the external valuer, an impairment provision of AED 50 million has been recorded during the current year (2019: nil).

Recoverable amount exceeded the carrying amount of building based on forecast cash flows. The cash flow forecasts are based on budgets for the next 5 years, with a terminal value thereafter. The terminal value includes a growth rate of 9.25%, which is the average long-term growth rate for the respective Company's industry. The cash flows were discounted at a rate of 11.25%, which reflects the time value of money and risks specific to the respective Company's industry, which were reflected in the value in use cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

13. Property and equipment (Continued)

Impairment of Golf Club House building (Continued)

The impairment of building is summarised as below.

Nature of asset	Carrying amount before impairment	Recoverable amount	Impairment	Carrying amount after impairment
Building	68,190	17,700	50,490	17,700

14. 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 year is as follows:

	2020 AED'000	2019 AED'000
Cost		
At 1 January 2019	**203,114**	203,114
At 31 December 2019	**203,114**	203,114
Accumulated Depreciation		
At 1 January	(22,343)	(14,218)
Charge for the year	(8,124)	(8,125)
Balance at the end of the year	**(30,467)**	(22,343)
Carrying Value	**172,647**	180,771

Fair value of the investment properties were determined under the comparable and investment method which involves assumptions such as current and estimated rental values at an equivalent yield of approximately 8% (2019: 8.3%) and vacancy rate of 24% (2019: 10%). The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and U.A.E. Laws and Regulations and is reflective of the economic conditions prevailing as at the year ended 31 December 2020.

At 31 December 2020, the fair value of the completed investment properties and related land was AED 207 million (2019: AED 298 million) on the basis of a valuation carried out by an independent external valuation expert. The investment properties are located in the U.A.E., and are categorised under Level 3 in the fair value hierarchy.

All of the investment properties held by the Group are rental generating. During the year, AED 33 million (2019: AED 30 million) has been recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment properties amounted to AED 7.4 million (2019: AED 7 million). As at December 31, 2020 and 2019, there were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposal. Further, there are no obligations to construct, develop or purchase investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

15. Share capital

	2020 AED'000	2019 AED'000
Authorised, issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	6,050,000

16. Trade and other payables

	2020 AED'000	2019 AED'000
Trade payables	**689,487**	807,954
Accruals	**841,586**	1,171,228
Retentions payable (i)	**1,070,696**	1,024,187
Deferred consideration payable for land	**-**	75,000
Other payables (ii)	**174,831**	315,564
Provision for employees' end-of-service indemnity (iii)	**41,452**	51,657
	2,818,052	3,445,590

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

	2020 AED'000	2019 AED'000
Retentions payable within 12 months	**501,267**	520,380
Retentions payable after 12 months	**569,429**	503,807
	1,070,696	1,024,187

(ii) Reconciliation of liabilities arising from financing activities

	1 January 2020 (a) AED'000	Cash flows (b) AED'000	Other changes (c) AED'000	31 December 2020 (a) AED'000
Other payables	53,235	(237,940)	236,099	51,394

(a) Balance at the beginning and the end of the year represent provision for finance costs that are included under other payables.

(b) The cash flows represent finance costs paid during the year in the consolidated statement of cash flows.

(c) Other changes represent finance costs charged to the consolidated statement of profit or loss and other comprehensive income during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

16. Trade and other payables (Continued)

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

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**51,657**	49,720
Charge for the year	**6,770**	12,998
Payments during the year	**(16,975)**	(11,061)
Balance at the end of the year	**41,452**	51,657

17. Advances from customers

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

Movement during the year is as follows:

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**2,371,228**	2,617,811
Amounts collected/ advance billing during the year	**4,481,844**	4,230,784
Amounts invoiced/ revenue recognised during the year	**(4,629,806)**	(4,355,622)
Other operating income recognised during the year (note 22)	**(155,590)**	(121,745)
Balance at the end of the year	**2,067,676**	2,371,228

18. Bank borrowings

	2020 AED'000	2019 AED'000
Bank facilities	**124,834**	522,543
Overdrafts (note 6)	**-**	27,138
	124,834	549,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

18. Bank borrowings (Continued)

a) As at the year ended 31 December 2020, an amount of AED Nil (2019: AED 138 million) is outstanding with Islamic banks and the remaining balance with conventional banks.

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

Islamic banks and financial institutions

The Group 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. The facility was fully repaid as at 31 December 2020.

Conventional banks and financial institutions

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

- AED 276 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2020. This loan was fully repaid as at 31 December 2020.
- AED 367 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2022. Out of this, AED 242 million was repaid as at 31 December 2020.
- AED 67 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. This loan was fully repaid as at 31 December 2020.

c) As at 31 December 2020, the Group had arranged for bank facilities amounting to AED 1,346 million (2019: AED 2,245 million) in the form of letters of credit and guarantees out of which AED 841 million (2019: AED 1,304 million) remained unutilised as at the reporting date.

d) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 369 million (2019: AED 470 million), corporate guarantees of the Company, pledges over bank accounts and deposits aggregating to AED 416 million (2019: AED: 521 million).

e) Repayment profile of the Group's bank borrowings as at the year ended 31 December 2020 is as follows:

	2020 AED'000	2019 AED'000
On demand or within one year	**124,834**	424,847
In the second and third years	**-**	124,834
	124,834	549,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

18. Bank borrowings (Continued)

Conventional banks and financial institutions (Continued)

f) The cash flows from bank facilities represent net repayments of borrowings in the consolidated statement of cash flows.

	1 January 2020 AED'000	Cash flows (i) AED'000	Other changes AED'000	31 December 2020 AED'000
Bank facilities	522,543	(397,709)	-	124,834

19. Sukuk certificates

	2020 AED'000	2019 AED'000
Sukuk certificates	**3,078,663**	3,305,686
Unamortised issue costs	**(8,739)**	(13,775)
Carrying amount	**3,069,924**	3,291,911

Movement in unamortised issue costs is as follows:

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**13,775**	20,006
Incurred during the year		-
Amortised during the year	**(5,036)**	(6,231)
Balance at the end of the year	**8,739**	13,775

On 20 April 2017, the Group issued US$ 500 million (AED 1,838 million) Sukuk Trust Certificates (the "Certificates") maturing in 2022. Alpha Star Holding III Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED.

Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2020

19. Sukuk certificates (Continued)

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$ 32.2 million (AED 118.3 million) at a discount.

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

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

During the period, the Group repurchased sukuk certificates carrying face value of US$ 29.6 million (AED 108.7 million) at a discount.

The repayment profile of sukuk certificates is as follows:

	2020 AED'000	2019 AED'000
Amount due for settlement within 12 months	**-**	-
Amount due for settlement after 12 months	**3,069,924**	3,291,911
	3,069,924	3,291,911

Reconciliation of liabilities arising from financing activities

	1 January 2020 AED'000	Cash flows (i) AED'000	Other changes (ii) AED'000	31 December 2020 AED'000
Sukuk certificates	3,291,911	(203,694)	(18,293)	3,069,924

(i) The cash flows from sukuk certificates represent repurchase of sukuk certificates outstanding balance of AED 227 million against the cash payment of AED 204 million in the consolidated statement of cash flows.

(ii) Other changes represent issue costs amortised and gain earned on repurchase of sukuk certificates to the consolidated statement of profit or loss and other comprehensive income during the year.

20. 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:

	2020 AED'000	2019 AED'000
Other related parties		
Investment in DAMAC International Limited (i)	**55,837**	(86,680)
Investment in Nine Elms SH Co Ltd (ii)	**(293,000)**	-
Support services fees (iii)	**4,836**	4,836
Purchase of land plot (iv)	**-**	(285,000)
Acquisition of subsidiary (v)	**(9,843)**	-

(i) Investment in DAMAC International Limited

During the year, the Group reduced its investment in DAMAC International Limited by AED 55.8 million (2019: increase of AED 87 million), a related entity under the control of the Chairman (note 11).

(ii) Investment in Nine Elms SH Co Ltd

During the year, the Group acquired 25% stake in Nine Elms SH Co Ltd for a consideration of AED 293 million, from Nine Elms SR Co Ltd a related entity under the control of the Chairman (note 9).

(iii) Support services fees

During the year, the Group received AED 4.8 million (2019: AED 4.8 million) towards support services rendered to DAMAC International Limited and DICO Investments Co. LLC, both related entities under the control of the Chairman (note 24).

(iv) 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. The consideration was paid in full and there are no amounts outstanding as at the year end.

(v) Acquisition of Subsidiary

On September 15, 2020, the Group acquired 100% of the issued share capital of Helios Venture Holding Limited, a company registered in the British Virgin Islands, by way of a share transfer from the Chairman of the Group.
Nature of significant related party transactions and amounts involved are as follows:

20. Related party transactions (Continnued)

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.

	2020 AED'000	2019 AED'000
Salaries and other short-term employee benefits	**7,958**	10,869
Other long-term benefits	**410**	557
	8,368	11,426

21. Revenue

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

	2020 AED'000	2019 AED'000
Over time	**4,566,247**	4,262,641
Point in time	**104,315**	136,576
	4,670,562	4,399,217

As at the year ended 31 December 2020, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied performance obligations is AED 4,236 million (2019: AED 8,231 million). The Group will recognise this revenue as project progress is achieved, which is expected to occur over the next 1 to 4 years.

22. Other operating income

	2020 AED'000	2019 AED'000
Income from cancellation of units (note 17)	**155,590**	121,745
Penalties from overdue customers	**3,532**	14,794
Unit registration and transfer fees	**1**	2
	159,123	136,541

23. General, administrative and selling expenses

	2020 AED'000	2019 AED'000
Staff costs	**289,864**	380,359
Selling and marketing expenses	**250,438**	318,130
Repairs and maintenance	**133,096**	84,298
Rent and licence fees	**21,323**	31,354
Legal and professional	**37,447**	55,183
Travel and communication	**14,245**	33,654
Bank charges	**15,917**	18,247
Insurance	**9,636**	12,338
Tax expense	**24**	194
Social contributions	**1,540**	-
Other	**20,612**	41,845
	794,142	975,602

24. Other income

	2020 AED'000	2019 AED'000
Property management fees	**30,420**	60,910
Gain on repurchase of sukuk certificates	**23,329**	-
Support services fees (note 20)	**4,836**	4,836
Other	**17,218**	32,265
	75,803	98,011

25. Finance income

	2020 AED'000	2019 AED'000
Islamic banks and financial institutions	**21,888**	95,797
Conventional banks and financial institutions	**24,427**	54,946
	46,315	150,743

26. Finance costs

	2020 AED'000	2019 AED'000
Islamic banks and financial Institutions	**208,882**	241,774
Conventional banks and financial institutions	**19,419**	38,128
Interest on lease liabilities	**7,798**	11,097
	236,099	290,999

27. Provision for value-added tax

During the year, the Group has submitted voluntary disclosure of VAT liability to Federal Tax Authority (FTA) and subsequently Federal Tax Authority has made an assessment on the voluntary disclosure submitted by Group, which resulted lower liability than the amount carried by the Group. Consequently, the management has reversed VAT liabilities to the extent of AED 101 million in the consolidated statement of profit or loss.

During 2020, the Group has reassessed its position for the output VAT to be charged to certain customers and made a voluntary disclosure of the VAT liability to the FTA in this regard to the extent of AED 8.7 million.

Further the Group has performed a revised assessment for the contracts signed and instalment billed/received before 01 January 2018 and has charged additional VAT liability of AED 9.7 million as a charge to consolidated statement of profit or loss for the year ended 31 December 2020 in respect of its operations in KSA.

28. Contingent liabilities

	2020 AED'000	2019 AED'000
Bank guarantees	**607,780**	941,370

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

There were certain claims submitted by the contractors in lieu of various construction projects in the ordinary course of business. Based on the review of opinion provided by the internal legal team, the management has assessed that no material unprovided liabilities will arise as at the year ended 31 December 2020. 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.

The Group has elected not to present the complete disclosures as required by IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters.

29. Commitments

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

	2020 AED'000	2019 AED'000
Contracted for	**1,689,030**	3,322,778

Operating lease commitments – Group as a lessor

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

30. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

(b) Categories of financial instruments

	2020 AED'000	2019 AED'000
Financial assets		
At amortised cost	**11,374,954**	12,739,740
At fair value through other comprehensive Income	**270,457**	369,753
At fair value through profit or loss	**492,455**	
	12,137,866	13,109,493
Financial liabilities		
At amortised cost	**6,036,672**	7,328,896

30. Financial instruments (Continued)

(c) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The financial investments at fair value through other comprehensive income (note 11A) is classified as Level 3. The financial investments at fair value through profit or loss (note 11B) is classified as Level 1.

31. Financial risk management

Management reviews overall financial risk covering specific areas, such as market risk, credit risk, liquidity risk and investing excess cash.

The Group's profile with respect to exposure to financial risks identified below continues to be consistent.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Group's income or the value of its holdings of financial instruments. Financial instruments affected by market risk include interest-bearing loans and borrowings, deposits and financial assets at fair value through other comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

A 100-basis point increase or decrease applied on the market price of quoted equity securities disclosed as financial investment at fair value through profit or loss would result in a corresponding increase or decrease in the net loss of the Group by AED 4.9 million.

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

The Group is exposed to interest rate risk as the Group deposits/borrows funds at floating interest rates. The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

31. Financial risk management (Continued)

(b) Interest rate risk management (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments as at the year ended 31 December 2020. The analysis is prepared assuming the amount of assets/liabilities outstanding at the reporting date was outstanding for the whole year.

A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease/increase by AED 9.2 million (2019: AED 7.2 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

The following table details the Group's sensitivity to a 500 basis points increase or decrease in AED against the relevant foreign currencies.

	2020	2019
	AED'000	AED'000
GBP	**1,395**	-
Others*	**113**	11
	1,508	11

**Others include EUR, CNY, INR and KWD*

The Group also has other foreign currency transactions and balances denominated in US Dollar or currencies pegged to the US Dollar (AED, Saudi Riyal, Bahraini Dinar, Qatari Riyal, Hong Kong Dollars and Jordanian Dinar). As a result, foreign currency transactions and balances do not represent significant currency risk to the Group.

Further, the Group has operations in Lebanon whose functional currency is US Dollar whereas, the reporting currency is Lebanese pound. It is pertinent to mention that the Lebanese pound is no longer pegged to the US Dollar. Since the beginning of 2020, inflation in Lebanon has increased and is expected to continue in the future. The Group has considered additional impact towards exposure for expected credit losses on trade and other receivables. Refer to note 7 for further details.

(d) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The carrying amount of financial assets, excluding financial investments, recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. Refer to note 7 and note 6 for more details.

31. Financial risk management (Continued)

(e) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below are the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table consists only of principal cash flows:

	Less than 1 year	**1 – 2 years**	**3 – 5 years**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
31 December 2020				
Non-interest bearing	2,213,793	420,896	308,350	2,943,039
Fixed interest rate instruments	-	1,719,176	1,359,487	3,078,663
Variable interest rate instruments	124,834	-	-	124,834
	2,338,627	**2,140,072**	**1,667,837**	**6,146,536**
31 December 2019:				
Non-interest bearing	2,925,981	318,076	352,171	3,596,228
Fixed interest rate instruments	-	-	3,305,686	3,305,686
Variable interest rate instruments	424,847	124,834	-	549,681
	3,350,828	**442,910**	**3,657,857**	**7,451,595**

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period:

31. Financial risk management (Continued)

(e) Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2020				
Non-interest bearing	**9,412,364**	**-**	**-**	**9,412,364**
Variable interest rate instruments	**1,526,548**	**400,322**	**35,720**	**1,962,590**
	10,938,912	**400,322**	**35,720**	**11,374,954**
31 December 2019				
Non-interest bearing	10,755,962	-	-	10,755,962
Variable interest rate instruments	1,535,088	320,377	128,313	1,983,778
	12,291,050	**320,377**	**128,313**	**12,739,740**

32. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 18 and 19, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

33. Earnings per share

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

	2020	2019
Loss for the year (AED'000)	**(1,039,472)**	(36,879)
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	**(0.1718)**	(0.0061)

DAMAC PROPERTIES DUBAI CO PJSC

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34. Comparative figures

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

35. Subsequent event

Pursuant to the board resolution dated 04 March 2021, the Group entered into a share purchase agreement with DICO International Ventures Company Limited to acquire 25% shareholding in DAMAC International Limited (DIL) for a consideration of USD 78 million. Accordingly, the Group's shareholding in DIL increased from 20% to 45%. The Group has currently classified its 20% strategic equity investment in DIL as financial investment at fair value through other comprehensive income.

36. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2020 were approved by the Board of Directors and authorised for issue on 30 March 2021.


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