DAMAC PROPERTIES DUBAI CO PJSC

ANNUAL REPORT 2019

AIMING **HIGHER**

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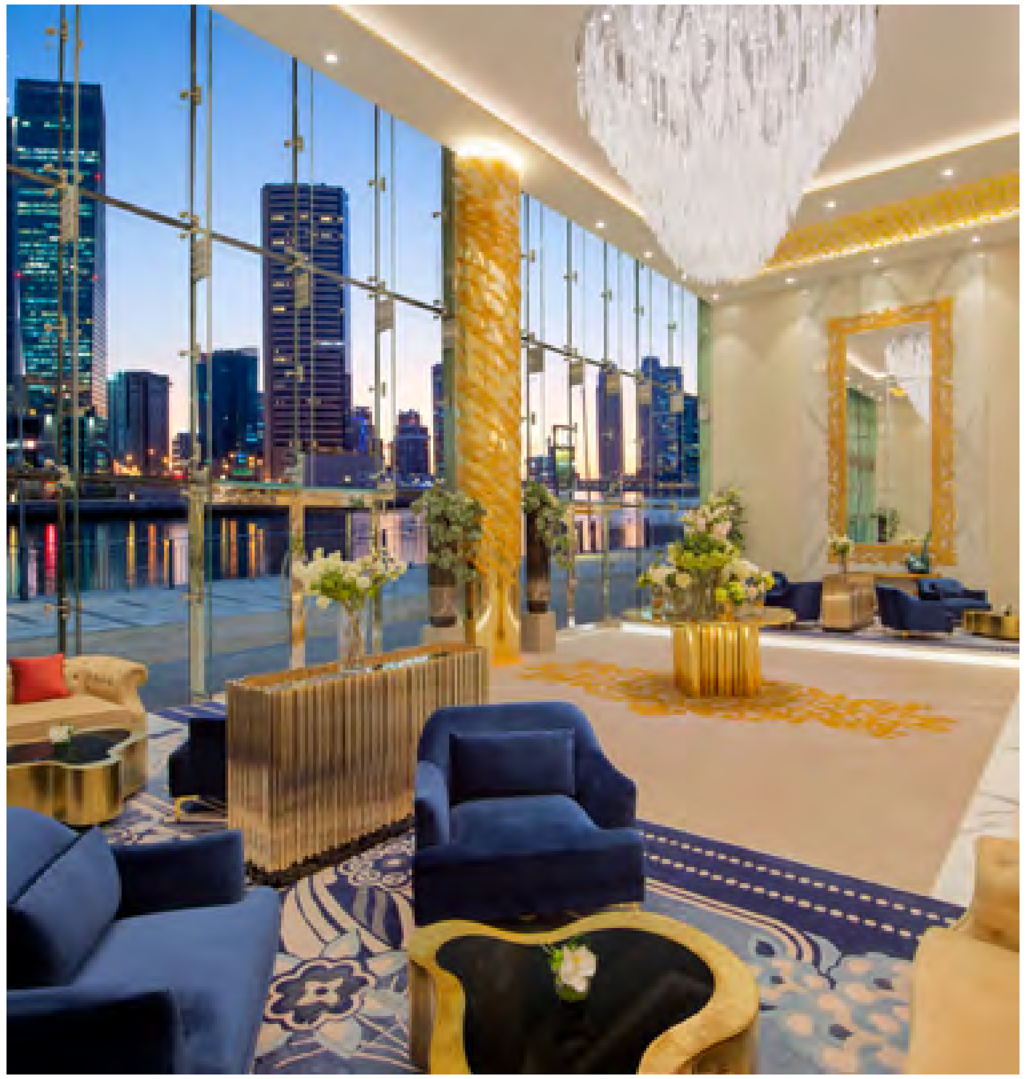


HIGHLIGHTS 2019

Revenue
AED 4,399M

Net Profit/(loss)
-AED 37M

Equity
AED 14,073M

Debt to Total Assets
16.1%

Gross Profit
AED 1,291M

Operating Cashflow
AED 570M
Before working capital changes

Cash and Bank
AED 4,646M

Gross Margins
29.3%

Operating Profit
AED 222M

Total Assets
AED 23,825M

Gross Debt
AED 3,842M

Cash & Development Prop as% of Total Assets
59.5%

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

HUSSAIN SAJWANI
CHAIRMAN

DEAR SHAREHOLDERS,

2019 was testament to our commitment for long-term growth, our agility and resilience to varied market conditions. With a steady focus on delivering best-in-market real estate products despite softer market conditions, we upheld our dedication towards our customers and other stakeholders. Over the year, we delivered a record 4,700 units – the highest number of units handed over in a single calendar year since inception. I am also happy to reassure you that we continue to maintain a strong financial and liquidity position, while consistently paying down debt.

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. For 2019, to bring back a healthy balance between supply and demand in Dubai's real estate market, we focused on project deliveries, while responsibly curtailing the launch of new projects.

BUSINESS HIGHLIGHTS

In 2019, we achieved over AED 3.1 billion in booked sales and total revenue of AED 4.4 billion. Shareholders' equity stood at AED 14.1 billion while total assets stood at AED 23.8 billion as at 31 December 2019. We continued to pay down our debt, and in the last 18 months, we reduced our gross debt by AED 1.6 billion. 2019 marked the first deliveries in the master development AKOYA and other flagship projects including Ghalia, DAMAC Towers by Paramount and Tower 108. In the first half of the year, we launched Zada, which offers luxury apartments overlooking the Dubai Water Canal.

We are making significant progress in our projects outside the UAE. We topped out our first London Development, DAMAC Tower Nine Elms. We are now present in a host of markets including Qatar, Maldives, Lebanon, Saudi Arabia, and Jordan, among others.

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 a current imbalance in supply-demand dynamics in Dubai's property market, prices have declined over the past few years. These conditions created a buyer's market, and in 2019, the Emirate witnessed a sharp rise in real estate transactions. While other players in the market offered unrealistic long-term payment plans of up to 10 years, we remained conservative while at the same time, provided attractive and realistic payment plans and other customer-centric offers to buyers. We collected over AED 4 billion in cash during the year, strengthening our balance sheet while maintaining our focus on creating sustainable communities.

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.

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. The government's proactive policies to keep the UAE at the pinnacle of success 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

4,700
UNITS DELIVERED

4.4
BILLION DIRHAMS TOTAL REVENUE

3.1
BILLION DIRHAMS SALES BOOKED


ABOUT **DAMAC**

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 two world-class master-planned golf developments. 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 and Oman, as well as the United Kingdom.

As of 31st December 2019, DAMAC Properties has delivered 29,000+ quality homes, with more than 35,000 under development.

50+
MN SQ FT PROJECTS IN PROGRESS AND IN PLANNING

6
COUNTRIES WITH PRESENCE

AED 3.1bn
BOOKED SALES IN 2019

c.**1,600+**
EMPLOYEES

c.**450+**
SALES STAFF

AED 4.4bn
REVENUE IN 2019

DAMAC HOTELS & 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

THE FUTURE OF DAMAC

Additional to premium gated community spaces, such as DAMAC Hills and AKOYA, DAMAC continues to develop and offer investment opportunities within attractive mixed-use projects in Dubai, such as AYKON City on Sheikh Zayed Road and Rēva Heights in Business Bay. Further afield, in London's latest cultural hub, Nine Elms, the construction of DAMAC Towers Nine Elms London, in an exclusive partnership with Versace Home, is underway. DAMAC, as a strategic partner of Oman Tourism Development Company, is also engaged in the transformation of Muscat's historical port, Mina Al Sultan Qaboos, into an integrated waterfront destination.

MARKET **OVERVIEW**

DAMAC Properties operates within the luxury residential, premium hospitality and mixed-use development segments, predominantly in the Middle East. Founded in the UAE, DAMAC has been expanding steadily in recent years to regional markets, including Saudi Arabia, Lebanon, Jordan, Oman, and in 2015, its reach extended to the United Kingdom through DAMAC's International arm.

DAMAC derives over 95 percent 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 2019

In 2019, Dubai's real estate continued to be a buyer's market. 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.

Despite softer market conditions, the UAE's housing market showed signs of resurgence as the decline in prices slowed down as compared to 2018 and 2017. A buyer's market continued to catalyse the re-emergence of Dubai's off-plan segment.

Dubai remained a preferred destination for tourists from all over the world and welcomed 16.73 million visitors in 2019, up 5.1 per cent from the previous year. Consequently, the hospitality sector continued to see a year-on-year increase in occupancy.

KEY GOVERNMENT INITIATIVES

While global economic and geopolitical headwinds continued to impact Dubai's real estate market in 2019, softer market conditions due to an imbalance in supply and demand led to a sharp rise in transactions. The year witnessed a record number of deliveries in the residential segment. To offset softer market conditions, a proactive government introduced several pro-growth initiatives to boost sentiment and increase demand for real estate. The government of Dubai announced the establishment of the Higher Committee for Real Estate to combat the supply-demand imbalance and create a long-term strategy for the sector. Global investors welcomed the announcement, and Dubai witnessed a surge in real estate transactions. 2019 also saw the introduction of several initiatives to boost the hospitality sector, such as the exemption of the visa fee for transit passengers and a focus on increasing the popularity of Dubai in the cruise industry, among others.

A SUSTAINABLE FUTURE

On the backdrop of rising real estate transactions and softening prices, Dubai's real estate landscape is maturing. What was once considered a hotspot for high, short term returns, is evolving into a space where people are looking to settle in for the long term. The government's constant push to diversify the country's economy and design a knowledge-based sustainable future is reflected in the real estate sector. There is a growing demand for affordable housing and mixed-use communities where people can live engaged and fulfilling lives. Initiatives introduced by the government over the past few years such as the introduction of long term visas for investors and skilled professionals, 100 per cent foreign ownership for businesses and the establishment of the Higher Committee for Real Estate will play a key role in boosting the real estate sector in the coming years in a sustainable way. Real estate developers in the UAE have been quick to adapt to changing demands, and this agility will shape the future as the UAE undergoes a social and economic transformation in the years to come.

16.7 million visitors
to Dubai in 2019

3.2 million anticipated
population in Dubai by 2021

2.8% anticipated GDP
growth in 2019

DAMAC is committed to the long-term potential of Dubai's real estate market, and continues to create value for customers and shareholders, as the market navigates through the current phase of the real estate cycle.

2019 PERFORMANCE **HIGHLIGHTS**

JANUARY

- DAMAC Properties opens Customer Service Centres in China, to meet growing interest in the UAE real estate market

FEBRUARY

- DAMAC Properties Unveils Ready-built Concept 'Golf Town', Offers perks on new homes within the DAMAC Hills community

MARCH

- DAMAC Properties announced the awarding of multiple contracts worth AED 430 million

APRIL

- DAMAC Properties repaid the balance outstanding $271mn (part of the original $650mn Sukuk raised in 2014) towards Sukuk upon maturity. With this payment, DAMAC Properties has repaid its entire Sukuk on or before maturity
- DAMAC Properties secures £175m project finance for London Tower

MAY

- DAMAC Properties hands over Ghalia, its first Sharia compliant development

JUNE

- DAMAC Properties announced the launch of its new project, 'Zada', in Dubai's Business Bay area

JULY

- DAMAC Properties welcomes the first residents to AKOYA as it begins handover of 315 Town Houses in the 'Claret' Cluster

AUGUST

- The "One Million Arab Coders" an initiative by His Highness Sheikh Mohammed bin Rashid Al Maktoum, and supported by the Hussain Sajwani – DAMAC Foundation has exceeded the 1.3 million registrations to the programme since its launch; with over 700,000 of the 1.3 million being unique registrations.

SEPTEMBER

- DAMAC Properties Awarded 'Property Developer of the Year' in 2019 International Business Magazine Awards
- DAMAC Properties records 4.4 million safe worker hours at AYKON City.

OCTOBER

- DAMAC's 1st tower in the city of London reaches its pinnacle. The property has been topped out
- DAMAC Properties tops off Paramount Tower Hotel and Residences on Sheikh Zayed Road

NOVEMBER

- DAMAC Properties introduces ready-to-move-in 'High Gardens' terrace apartments at DAMAC Hills starting at AED 1.1 million

DECEMBER

- DAMAC Properties tops off Tower A of Golf Vita at DAMAC Hills

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 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
1MILLION ARAB CODERS INITIATIVE

ONE MILLION ARAB CODERS

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, NGOs and governmental bodies across the Arab world to facilitate device and internet access to those interested in taking part.

STEPS TO ENROL IN THE PROGRAMME

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

JOB OPPORTUNITIES
Internships, job opportunities and startup support programs

In 2019 the number of registrations exceeded the 1.3 million mark with over 700,000 unique new students. The programme witnessed such an overwhelming response, with a significant increase from around the region that led to the launch of a new chapter in Jordan, this chapter will have on-ground centers spread around Jordan, with a "Train the trainer" initiative to enable instructors that can assist in these centers.

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

1.3 MILLION+ **applicants** from across the world, in one year

700,000+ **graduates** unique new students

H.H. Sheikh Mohammed Bin Rashid Al Maktoum, H.H. Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum, and Hussain Sajwani with 130 top achievers of the first batch of graduates of the One Million Arab Coders Programme

Versace Interiors, DAMAC Tower Nine Elms London

STRATEGIC **REPORT**

CHIEF FINANCIAL OFFICER'S MESSAGE

ADIL TAQI
GROUP CHIEF FINANCIAL OFFICER

Looking back at our last few years journey

	Booked Sales	Collections
FY2019	AED3.1bn	AED4.0
FY2019-2016	AED22.0bn	AED18.4
2019 as % of last 4 years	14%	22%

In FY2019, DAMAC sold AED3.1bn (just 14% of last 4 years cumulative booked sales) but DAMAC collected AED4b (22% of the last 4 years cumulative collections). Sales during the last 2 year (FY2018-19) dropped significantly compared to previous two years (FY2016-2017), however pace of collections has been largely stable. Underlying fact is that we always encouraged practical payment plans on units sold, with higher upfront equity contribution from home buyers. We are always prepared to sacrifice risky sales emanating from elongated post hand-over payment plans.

In 2019 we continued to refrain from aggressive new project launches and put more sales efforts on completed and near completion inventory with negligible execution risk.

DAMAC reported revenues of AED4.4bn and net loss of AED37mn for 2019. Performance during the year was adversely impacted due to certain non-cash items such as provision for impairment on development properties and provision for impairment on trade receivables amounting to AED166 mn.

Gross margins were reported at 29.3% for 2019 vs 34.6% in 2018. This again is a trade-off between providing upfront discount to customers and sales promotion activities vs. higher realisation from stretched payment plans and risky sales. This certainly impacts our immediate margins but comforts us for not carrying excessive long term default risk and end up in a cashflow mismatch position.

DAMAC paid c.AED570mn towards land during the year. This includes scheduled payments towards existing land commitments and for two new land parcels purchased (c.1.2mn sq ft GFA) during the year in Dubai. We continue to believe in the long term proposition that Dubai real estate market can offer to home buyers, investors and developers like us. All our land parcels are fully paid for except AYKON City. As at 31 Dec 2019, we have AED75mn payable towards AYKON City land parcel bought in 2015. This is due for payment in March 2020. No other land commitments were assumed in 2019.

Gross debt position stood at AED3.8bn, this has reduced by AED1.6bn in last 18 months ended 31 Dec 2019. During the year our first ever $650mn Sukuk (issued in 2014) matured and I am happy to report that we have repaid this amount to Sukuk holders on or ahead of schedule. We did liquidity management exercises in 2017 and 2018 to partly retire this debt and paid the last tranche outstanding worth ~US$271mn mainly from internal accruals during the year. Cash and bank balance stood at AED4.6bn as at 31 Dec 2019 and we continue to maintain a net cash position since 2012.

I would like to take this opportunity to thank the visionary UAE leadership for their vision and direction in shaping us where we are today. I would also thank our customers, partners, and employees for their invaluable support and look forward to 2020.

ADIL TAQI
GROUP CHIEF FINANCIAL OFFICER

4.4
BILLION DIRHAMS
REVENUE

4.65
BILLION DIRHAMS
CASH AND BANK

3.85
BILLION DIRHAMS
GROSS DEBT

1.3
BILLION DIRHAMS
GROSS PROFIT

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.

CUSTOMER SUPPORT

DAMAC continues to evolve its customer relationship management to drive satisfaction at every customer touch point. 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.

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, from account reconciliation to audit transactions, and online leads posting to data migration, growing from a farm of five VWs to over 20.

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.

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

Leaning on its successful indirect sales strategy, DAMAC continues to strengthen its partnerships with its global network of over 6,500 brokers worldwide, as of December 2019. Thanks to complete Salesforce integration in 2017, DAMAC now empowers agents with dedicated 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 mind share 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 Organization, along with Just Cavalli, The Radisson Group and Tiger Woods Design.

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 is a member of Middle East Investor Relations Society (MEIRS), and regularly engages with analysts, investors and potential investors as well as other capital community members.

PROJECTS

The 500-strong 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 three years, the Projects team has adopted advanced IT infrastructure and solutions to increase collaboration across all key departments, seeing a significant uptake 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. Safe guarding 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.


Engagement across teams

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 Market for filing and disclosure.

Compliance & Internal Audit

A separate team oversees regulatory compliance with the 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.

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.

Trump International Golf Club House, DAMAC Hills

THE CUSTOMER IS ALWAYS RIGHT

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 has evolved further in 2019, and involves all team members, from product planning to facility management.

MEASURE TWICE, CUT ONCE

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.

PEOPLE AT THE HEART OF DAMAC

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 the 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

QUALIFY EVERY DAY

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

ENTREPRENEURSHIP

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.

COLLABORATION COMES FIRST

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

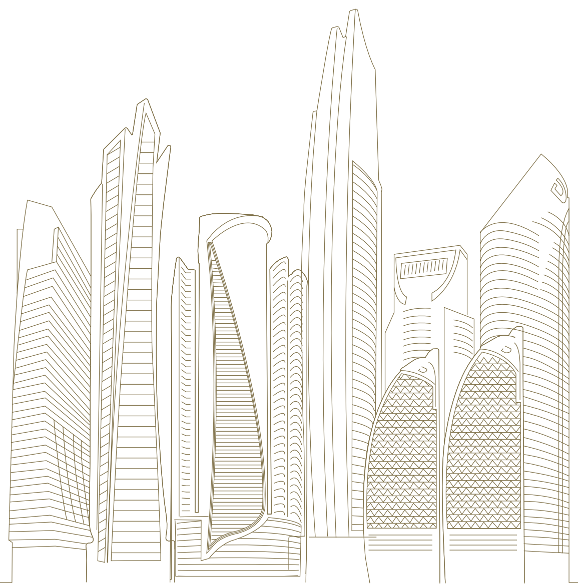
With a successful 18-year track record, DAMAC's ability to identify current market requirements and develop residential, commercial, hospitality and leisure projects that are in demand, while offering excellent ROI, has set it apart from others.

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, Fendi Casa, 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 communities with the Trump Organization and Tiger Woods Design, DAMAC continues to set the benchmark for unique concepts that meet today's lifestyle-driven preferences.

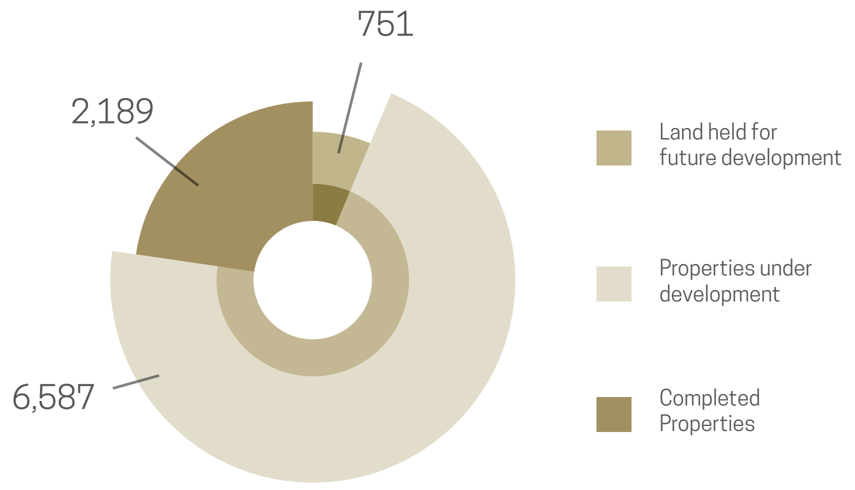
PORTFOLIO OVERVIEW

	Completed [1] Projects	In-progress (2) and In-planning (3) Projects
Total in Dubai	29,051 units	35,000 units
In Dubai	90%	96%

Note: Exchange rate US$/AED- 0.2721 used in the whole presentation
(1) Completed projects: projects with Building Completion Certificate (BCC) received
(2) In-progress projects: projects with enabling works started / consultant appointed
(3) In-planning projects: projects with no consultant appointed

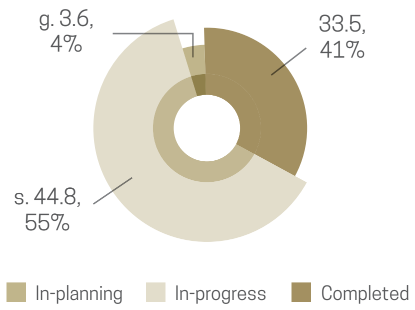


DEVELOPMENT PROPERTIES - DEC'19 (AED MN)



PROPERTIES BY DEVELOPMENT STATUS

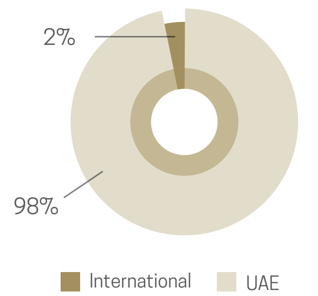
Area (mn sq ft)



PORTFOLIO BY LOCATION

(IN-PROGRESS & IN-PLANNING PROJECTS)

Location



UAE

No. of projects	22
Units	c.35k
Sellable area (mm sq ft)	47.6
Completion date	2020/22

INTERNATIONAL

No. of projects	2
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 2019

KEY DEVELOPMENTS **IN PROGRESS**

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, including villa's, branded residence as well as low and high rise apartments.

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.

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 4,100 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 third 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 2020.

DAMAC opened a new community centre at DAMAC Hills that features a wide range of retail outlets such as Carrefour, a florists, pet food and supplies, a juice bar, and a gadget repair shop, among others; in addition to a Spinneys supermarket and the Norwegian brand, CreaKids, which opened a new state-of-the-art nursery for children at the master community.

Golf course facing villas at DAMAC Hills

Villas at the DAMAC Hills master community

Golf Town, DAMAC Hills

Golf course, DAMAC Hills , Dubai

AN ICONIC FOUR-TOWER COLLABORATION WITH PARAMOUNT HOTELS & RESORTS

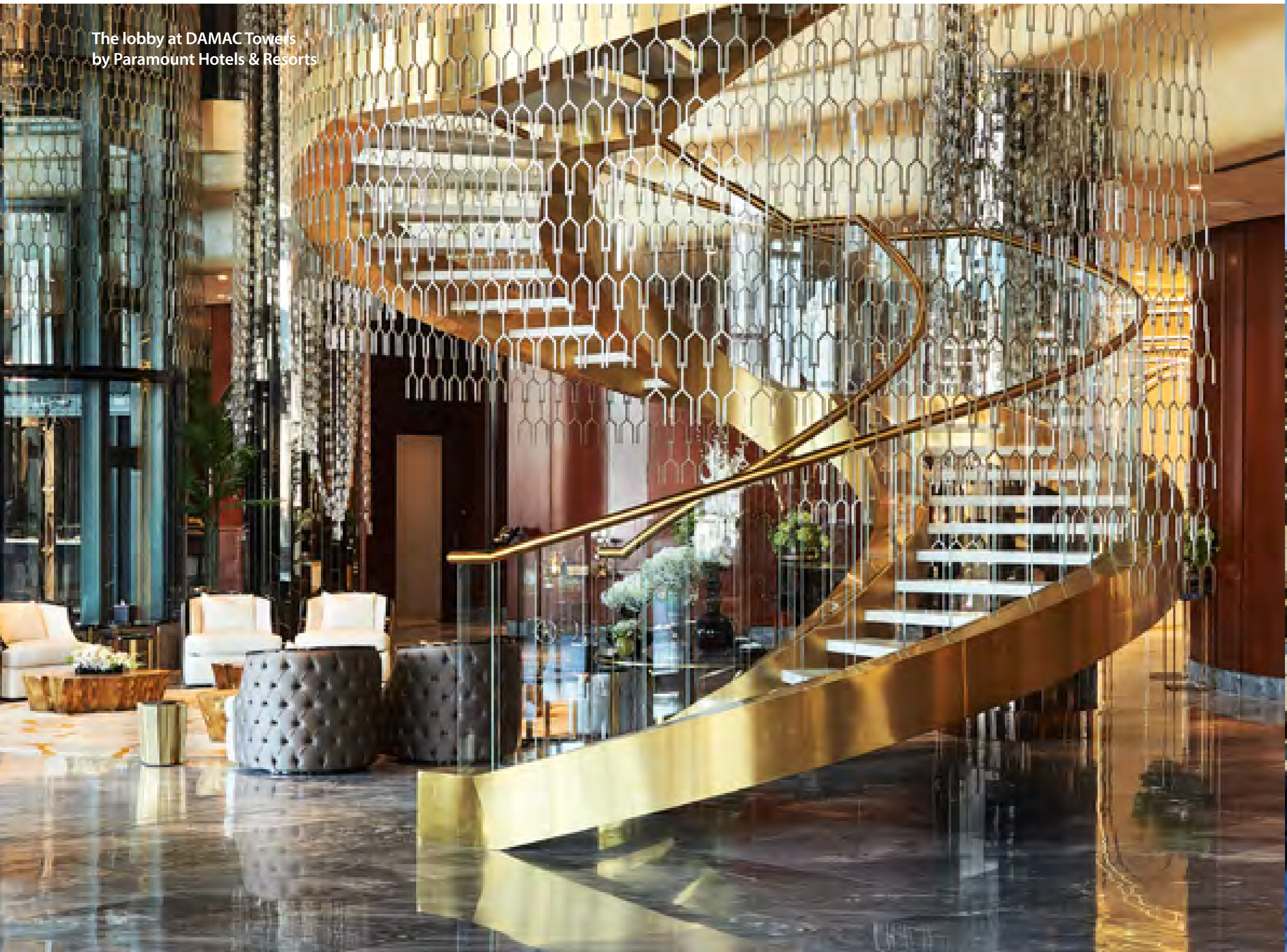
REFLECTING THE GLAMOROUS HOLLYWOOD VIBE

Paramount
DAMAC TOWERS
by Paramount Hotels & Resorts
DUBAI

Strategically located in the Burj area of Dubai, DAMAC Towers by Paramount Hotels & Resorts comprises four towers stretching 270 metres in height. Developed by DAMAC in collaboration with Paramount Hotels & Resorts, the project reflects the glamour of Hollywood that is synonymous with Paramount Pictures over its 100+ year history.

Three towers host 1,200 luxury apartments, where the sleek, studio-feel interior theme is inspired by the iconic studios. The fourth tower is the setting for a hotel, directed by Paramount Hotels & Resorts. The towers share a wealth of luxurious amenities, including a stunning podium-set swimming pool, with huge sun deck and panoramic views of the neighbourhood.

Paramount Hotels & Resorts translates bold imagination into an inspirational experience, drawing on a century-long track record of delighting guests. The brand combines service, design, entertainment and lifestyle in thrilling new ways across a series of major global properties.


The lobby at DAMAC Towers by Paramount Hotels & Resorts


DAMAC Towers by Paramount Hotels & Resorts

AKOYA

CONTEMPORARY HOMES
IN THE HEART OF NATURE

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

AKOYA is a 55-million-square-foot lush green master development in Dubailand, a completely self-contained community emphasising a tranquil lifestyle and green living, away from the busy city but with easy access to its business and leisure hubs. With the first clusters handed over in 2019, the whole ethos of the project is based around greenery and seclusion, where energy-efficient homes are surrounded by lush landscaping and cascading water features.

Located off the Umm Suqeim Road and around 10 minutes from DAMAC Hills, AKOYA has an up-market resort feel. Surrounded by the Trump World Golf Club, the development features amenities such as a community centre, health clubs, swimming pools, schools, pharmacy, dining and shopping options of which is the Carrefour Market.

The community includes contemporary residential properties of various sizes, surrounding an 18-hole championship-standard golf course. Since its launch, AKOYA has won multiple awards, including 'Best Golf Course Development' at the International Property Awards and 'Best Golf Course', for the Trump World Golf Club Dubai.

The Trump World Golf Club Dubai, which will run through the heart of the project, is by Tiger Woods Design. One of the most successful golfers in the history of the game, Tiger used his rich playing experience and extensive knowledge to launch Tiger Woods Design in 2006, and since then, has completed a number of prestigious projects in the US and Mexico.


AKOYA community master plan

AYKON CITY

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

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. A mixed-use development, AYKON City offers a combination of luxury residences, 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', 'Best Residential High-Rise', and "'Best Hotel Architecture' for its AYKON Hotel & Hotel Apartments.

Work in progress at AYKON CITY


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.

1. 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. Dubai's government believes in continuous increase in infrastructure spending for past few years as the emirate prepares for construction projects related to Expo 2020, as reflected in annual Dubai budgets. 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 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 presence in other middle-eastern countries.
DAMAC's business is dependent on the wealth of domestic and international property purchaser and investors. This can lead to sales and related risks.	➤ The total freehold Dubai housing stock is estimated to be around 555K units as at the end of 2019. This is relatively small compared to any mega metropolitan city in the world. ➤ High rental yields, as compared to the rest of the world, continue to attract investment-led demand (4-8 per cent). ➤ 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 18 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 locally 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 visionary leadership of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Dubai has transformed itself on a global landscape and has grown in popularity as a leading 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 over 29,000 units over the past 18 years. It is one of the 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 choice to make an informed decision among various available alternatives.
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 financial viability of the project. We are currently sitting on approximately years of land bank inventory. ➤ 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 3.675 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.

2. PROJECT RISKS

NATURE OF RISK	How we manage the risk
Execution risk can result in projects under development to be 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 in avoid any funding constraints during development of the project.
DAMAC depends on third party contractors and sub-contracts to deliver its projects.	➤ Contractors are thoroughly screened before and during engagement process. ➤ DAMAC's in-house technical team oversee 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 Fendi Casa, 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.

3. FINANCIAL & LIQUIDITY RISKS

NATURE OF RISK	CALCULATION OF 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. ➤ We have always maintained a net cash position since 31st December 2012. As of 31st December 2019, we have gross debt of AED 3.8 billion and cash and bank balance of AED 4.6 billion. Our free available cash is AED 1.2 billion.
Foreign exchange risk – foreign exchange fluctuations pose a risk in a volatile exchange rate environment.	➤ The Company has some projects in other Middle East 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.

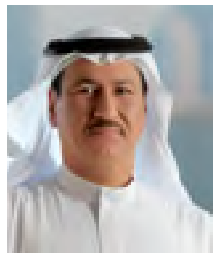
Mina AL Sultan Qaboos, Oman - A joint venure between DAMAC International and Oman Tourism Development Company (OMRAN)

GOVERNANCE **REPORT**

BOARD OF DIRECTORS

With almost 200 years combined wealth of knowledge and expertise across DAMAC's Board of Directors, the Board comprises distinguished professionals from a broad spectrum of industries, including investments, banking and financial services, insurance, retail, manufacturing, operations, construction and food and beverage. Its members have built on their rich, cumulative experience gained across numerous geographies, to lead DAMAC into a position of strength in the property development arena, to add value, and to represent the interests of shareholders.

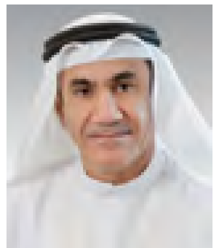
EXECUTIVE MEMBERS



Hussain Sajwani
CHAIRMAN

Adil Taqi
GROUP CHIEF FINANCIAL OFFICER AND EXECUTIVE MEMBER

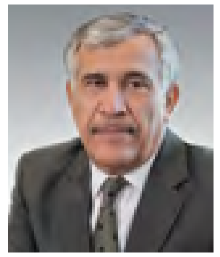
NON - EXECUTIVE MEMBERS



Farooq Arjomand
VICE CHAIRMAN AND NON-EXECUTIVE INDEPENDENT MEMBER

Prof. John Wright
NON-EXECUTIVE INDEPENDENT MEMBER

Nabil Alyousuf
NON-EXECUTIVE INDEPENDENT MEMBER



Yahya Nooruddin
NON-EXECUTIVE INDEPENDENT MEMBER

Sofyan Al Khatib
NON-EXECUTIVE NON-INDEPENDENT MEMBER

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 Officer, Risk Officer and other members of the management.

During 2019, the following meetings took place:

- The Board – 05 meetings
- Audit Risk & Compliance Committee – 04 meetings
- Nomination & Remuneration Committee – 01 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 seven members, of which six are Non-Executive Directors and one is an Executive Director:

NAME	BOARD POSITION
Hussain Sajwani	Chairman
Farooq Arjomand	Vice Chairman & Non-Executive Independent Member
Adil Taqi	Group Chief Financial Officer & Executive Member
Prof. John Wright	Non-Executive Independent Member
Nabil Alyousuf	Non-Executive Independent Member
Yahya Nooruddin	Non-Executive Independent Member
Sofyan Al Khatib	Non-Executive 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 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.

AUDIT, COMPLIANCE & RISK COMMITTEE

The Board of Directors has 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.	**John Wright**	Chairman	Non-Executive / Independent Director
2.	**Farooq Arjomand**	Member	Non-Executive / Independent Director
3.	**Yahya Nooruddin**	Member	Non-Executive / Independent Director

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 to be adopted steps;

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. assumption of the Company's going concern;

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

   VI. 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 duly 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 Officer, the 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 Officer and suggest appropriate corrective measures to the management of the Company;

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

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

j. 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;

k. 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;

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

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

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

o. 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;

p. 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;

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

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

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

The ACR Committee met four times during the year 2019, and the minutes of the meetings were recorded and approved. The Chairman of the ACR Committee periodically presents its report on the outcome of the ACR meeting to the subsequent Board meeting held after each ACR Committee meeting, and provides recommendations on periodic financials and other matters.

An internal audit function provides independent objective assurance over the complete control framework that reports to the Chairman of the ACR Committee. The Head of Internal Audit also has direct access to all executive members and in particular, the Chairman.

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 2019 and it comprises the following Board Members:

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

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 and 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.

DIRECTORS' RESPONSIBILITIES


Villa interior, Claret Villas at AKOYA

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 that 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 judgments 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

ADIL TAQI
GROUP CHIEF FINANCE OFFICER

Apartment Interiors, DAMAC Towers by Paramount

CONSOLIDATED
FINANCIAL STATEMENTS

Reports and consolidated financial statements for the year ended 31st December 2019

DAMAC PROPERTIES DUBAI CO PJSC

DUBAI - UNITED ARAB EMIRATES

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 ended 31 December 2019.

Revenue for the year stood at AED 4,399 million (FY2018: AED 6,132 million) and net loss for the period was AED 37 million (FY2018: Profit of AED 1,152 million). As at 31 Dec 2019, Total assets were at AED 23,825 million (31 Dec 2018: AED 25,176 million) and shareholder's equity stood at AED 14,073 million (31 Dec 2018: AED 14,110 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 124 million and impairment on trade receivables amounting to AED 41 million due to prevalent market conditions.

Gross debt stood at AED 3,842 million with cash and bank balance at AED 4,646 million. Cash deployed in operations during the period was AED 327 million.

The Group started unit handovers in its second master development AKOYA during the year 2019.

Real estate is a cyclical industry across the globe; the Dubai real estate market like others in the world witnessed softer market conditions in 2019, this also impacted the financial performance of DAMAC. As a company, we have always focused on liquidity and cash management across business cycles. We are pleased to share that even during this challenging environment, DAMAC has reduced gross debt by ~AED1.6 billion in the last 18 months ending 31 December 2019. DAMAC has always met its debt and land commitment on or before schedule in the past.

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 2019 and would continue to do so next year as well. 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 phenomenal platform for all participants to excel and contribute to the growth of the UAE. We also would like to thank regulators, government bodies, our shareholders, debtholders, customers, partners and employees who have been our partners in this successful journey.

Consolidated financial statements discloses significant related party transactions in Note 18 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 2019.

On behalf of the Board of Directors

Chairman

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DAMAC PROPERTIES DUBAI CO. PJSC DUBAI

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, 2019, 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, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

Key audit matter	How the matter was addressed in our audit
Revenue recognition of development properties	
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 3.13 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 judgment 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 overtime; • the total expected cost of completion of the real estate development to which the sold unit belongs; • ikelihood 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.	We reviewed 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 recognized 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: • 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. • Reviewed 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.

Key audit matter	How the matter was addressed in our audit
Impairment review of development properties	
The Group's development properties as at December 31, 2019 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. These valuation methods used involve a degree of complexity and further involves significant judgements and estimates. 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 and 8 to the consolidated financial statements.	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 reviewing 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 review of the valuations included discussions with management and independent valuer and consideration of overall reasonableness of the assumptions. 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.

Other Matter

The consolidated financial statements of DAMAC Properties Dubai Co. PJSC for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 27, 2019.

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 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 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, 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.

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 judgment and maintain professional scepticism 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.

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)

- 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.

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 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The Shareholders of DAMAC Properties Dubai Co. PJSC, (Continued)

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;

· Note 18 to the consolidated financial statements discloses material related party transactions and balances and the arrangements in this regard;

· Note 10 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended December 31, 2019; and

· 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, 2019 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, 2019.

BDO CHARTERED ACCOUNTANTS & ADVISORS
Dubai

Mohamed Afzal Koya Ali
Reg. No. 522
26 March 2020

DAMAC PROPERTIES DUBAI CO PJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 AED'000	2018 AED'000
ASSETS			
Cash and bank balances	6	**4,645,848**	6,173,522
Trade and other receivables	7	**8,010,115**	8,120,233
Development properties	8	**9,527,253**	9,214,522
Other financial assets	9	**870,394**	1,055,267
Financial investment	10	**369,753**	283,073
Right-of-use assets	2.3	**92,458**	-
Property and equipment	11	**128,040**	140,749
Investment properties	12	**180,771**	188,896
Total assets		**23,824,632**	25,176,262
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**6,050,000**	6,050,000
Statutory reserve	3.9	**903,497**	903,497
Retained earnings		**7,119,355**	7,156,234
Total equity		**14,072,852**	14,109,731
LIABILITIES			
Trade and other payables	14	**3,445,590**	3,501,073
Advances from customers	15	**2,371,228**	2,617,811
Lease liabilities	2.3	**93,370**	-
Bank borrowings	16	**549,681**	667,213
Sukuk certificates	17	**3,291,911**	4,280,434
Total liabilities		**9,751,780**	11,066,531
Total equity and liabilities		**23,824,632**	25,176,262

CHAIRMAN

DIRECTOR

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

DAMAC PROPERTIES DUBAI CO PJSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Continuing operations			
Revenue	19	**4,399,217**	6,132,675
Cost of sales		**(3,108,310)**	(4,011,638)
Gross profit		**1,290,907**	2,121,037
Other operating income	20	**136,541**	94,655
General, administrative and selling expenses	21	**(975,602)**	(1,006,198)
Amortisation of right-of-use assets	2.3	**(32,820)**	-
Depreciation	11,12	**(31,301)**	(28,082)
Provision for impairment on development properties	8	**(124,374)**	(54,146)
(Provision) / reversal of impairment on trade receivables	7	**(41,324)**	107,758
Operating profit		**222,027**	1,235,024
Other income	22	**98,011**	80,195
Finance income	23	**150,743**	162,293
Finance costs	24	**(290,999)**	(325,618)
Provision for value added tax	25	**(216,661)**	-
(Loss)/ profit for the year		**(36,879)**	1,151,894
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(36,879)**	1,151,894
Earnings per share			
Basic and diluted (AED)	31	**(0.0061)**	0.1904

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

DAMAC PROPERTIES DUBAI CO PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018	**6,050,000**	**802,313**	**7,013,024**	**13,865,337**
Profit for the year	-	-	1,151,894	1,151,894
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**1,151,894**	**1,151,894**
Transfer to statutory reserve	-	**101,184**	**(101,184)**	**-**
Dividend (note 32)	-	**-**	**(907,500)**	**(907,500)**
Balance at 31 December 2018	**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**

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

DAMAC PROPERTIES DUBAI CO PJSC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Cash flows from operating activities		
(Loss)/ profit for the year	**(36,879)**	1,151,894
Adjustments for:		
Depreciation on property and equipment and investment properties (notes 11 and 12)	**31,301**	28,082
Amortisation on right-of-use assets (note 2.3)	**32,820**	-
Provision for employees' end-of-service indemnity (note 14)	**12,998**	13,921
Amortisation of issue costs on sukuk certificates (note 17)	**6,231**	12,736
Loss on disposal of property and equipment	**881**	-
Gain on disposal of a subsidiary (note 22)	**-**	(2,936)
Provision for impairment on development properties (note 8)	**124,374**	54,146
Provision/ (reversal) of impairment on trade receivables (note 7)	**41,324**	(107,758)
Provision for value added tax (note 25)	**216,661**	-
Finance costs (note 24)	**290,999**	325,618
Finance income (note 23)	**(150,743)**	(162,293)
Operating cash flows before changes in operating assets and liabilities	**569,967**	1,313,410
Decrease/ (increase) in trade and other receivables (note 7)	**66,456**	(1,412,712)
(Increase)/ decrease in development properties (note 8)	**(437,105)**	359,672
(Decrease)/ increase in trade and other payables (note 14)	**(268,735)**	35,409
Decrease in advances from customers (note 15)	**(246,583)**	(656,685)
Employee end-of-service indemnity paid (note 14)	**(11,061)**	(11,763)
Net cash used in operating activities	**(327,061)**	(372,669)
Cash flows from investing activities		
Purchases of property and equipment (note 11)	**(11,348)**	(10,965)
Increase in financial investment (note 10)	**(86,680)**	(20,400)
Net cash received on disposal of a subsidiary	**-**	12,845
Decrease/ (increase) in other financial assets (note 9)	**184,873**	(30,510)
Decrease in deposits with an original maturity of greater than three months	**143,230**	787,186
Interest received	**153,081**	175,255
Net cash generated from investing activities	**383,156**	913,411

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019 (continued)

	2019 AED'000	2018 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings (note 16)	**220,359**	422,229
Repayment of bank borrowings (note 16)	**(365,029)**	(406,593)
Proceeds from the issuance of sukuk certificates – net	**-**	1,457,138
Redemption and repurchase of sukuk certificates (note 17)	**(994,754)**	(1,126,969)
Dividend paid (note 32)	**-**	(907,500)
Repayment of principal lease liabilities (note 2.3)	**(31,908)**	-
Finance costs paid (note 24)	**(296,345)**	(312,825)
Net cash used in financing activities	**(1,467,677)**	(874,520)
Net decrease in cash and cash equivalents	**(1,411,582)**	(333,778)
Cash and cash equivalents at the beginning of the year (note 6)	**5,542,889**	5,876,667
Cash and cash equivalents at the end of the year (note 6)	**4,131,307**	5,542,889

The accompanying notes on pages 14 to 54 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. GENERAL INFORMATION

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

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

The Parent and its 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.

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.

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:

- **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.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

2.2. Basis of preparation (continued)

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).

2.3. New standards, amendments and interpretations

a. New standards, amendments and interpretations effective from 1 January 2019

New standards impacting the Group that has been adopted in the annual consolidated financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16);

Details of impact of IFRS 16 are given below.

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

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

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

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

2.3. New standards, amendments and interpretations (continued)

a. New standards, amendments and interpretations effective from 1 January 2019 (continued)

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

	31 December 2019 AED'000	1 January 2019 AED'000
Total right-of-use assets	**92,458**	125,278
Total lease liabilities	**93,370**	125,278

	31 December 2019 AED'000
Amortisation on right-of-use assets	**32,820**
Interest on lease liabilities (note 24)	**11,097**

As at December 31, 2019, the Group expects gross contractual cash outflows of AED 202 million in respect of future lease payments.

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

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

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

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

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

2.3. New standards, amendments and interpretations (continued)

a. New standards, amendments and interpretations effective from 1 January 2019 (continued)

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

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

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

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

Impact on Lessor Accounting

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

Practical expedient

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

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

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

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 (Continued)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

2.3. New standards, amendments and interpretations (continued)

a. New standards, amendments and interpretations effective from 1 January 2019 (continued)

Others

Following other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual consolidated financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRS 14 Regulatory Deferral Accounts, IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 34 Interim Financial Reporting, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 38 Intangible Assets, IFRIC 12 Service Concession Arrangements, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IFRIC 22 Foreign Currency Transactions and Advance Considerations, and SIC-32 Intangible Assets – Web Site Costs to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business.	1 January 2020

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

2.3. New standards, amendments and interpretations (continued)

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors relating to definition of material.	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

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 (CONTINIUED)

3.1 Basis of consolidation (Continued)

Changes in the Group's ownership interest in existing subsidiaries (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 89 subsidiaries, the results of which are consolidated in DRED.

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.

- 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

Financial assets (continued)

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.

Impairment

IFRS 9 replaces the "incurred loss" model under IAS 39 with an "expected credit loss" (ECL) model. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

Financial assets (continued)

Impairment (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial Instruments (continued)

Financial liabilities (continued)

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 are included in the cost of the asset.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property and equipment (continued)

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

During 2019, the Group has changed the useful life of the buildings. For more details refer note 4.

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. 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. 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.

3.8. 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.

3.9. 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. 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 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.

3.11. 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 the U.A.E. Nationals are made by the Group in accordance with Federal Law No. 7 of 1999 (as amended).

3.12. 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 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 hotel apartments or service apartment as a residential unit for the purpose of considering output VAT.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. 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 IFRSs. 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.

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)

3.13 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.

3.14. 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.

3.15. 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.

3.16. 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.

DAMAC PROPERTIES DUBAI CO PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019 (Continued)

4. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 judgments in applying accounting policies

The following are the critical judgments, 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 judgments. Judgment 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 judgment consistently in accordance with the definitions of investment property, property and equipment and development property. In making its judgment, 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

Financial investment represents the Group's 20% equity interest in a related entity (note 10). 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 JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY (CONTINUED)

Critical judgments 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 create outputs. During the year, the Group has acquired 100 percent equity interest of two entities, through a share purchase agreement, from a related 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. For more details refer Note 18.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 (Continued)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY (CONTINUED)

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:

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.

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.

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 2019, 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 Note 12.

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

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. 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% (2018: 12.5% 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.

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.

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.

Change in useful life of building

The useful life considered to depreciate buildings relates to the expected future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. During 2019, the Group has changed the estimated useful life of the building from 25 to 10 years. The total comprehensive income per year would be reduced by AED 4.8 million due to this change until 31 December 2028.

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for the year ended 31 December 2019 (Continued)

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".

	2019 AED'000	2018 AED'000
Revenue		
Domestic	**4,281,830**	5,321,629
International	**117,387**	811,046
	4,399,217	6,132,675
Development properties		
Domestic	**8,525,051**	8,172,378
International	**1,002,202**	1,042,144
	9,527,253	9,214,522

6. CASH AND BANK BALANCES

	2019 AED'000	2018 AED'000
Cash on hand	**1,662**	1,468
Cash held in escrow	**3,445,957**	5,127,448
Bank balances	**84,845**	74,858
Fixed deposits	**1,113,384**	969,748
Cash and bank balances	**4,645,848**	6,173,522
Fixed deposits with an original maturity of greater than three months	**(487,403)**	(630,633)
Bank overdrafts (note 16)	**(27,138)**	-
Cash and cash equivalents	**4,131,307**	5,542,889

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

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.

6. CASH AND BANK BALANCES (CONTINUED)

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

Fixed deposits are financial assets held by banks with maturity period of less than and more than three months from the date of placement. As at reporting date, the fixed deposits earned interest at rates ranging from 1% to 6% (2018: 1% to 6%) per annum.

At the reporting date, fixed deposits and bank balances of AED 496 million (2018: AED 200 million) are held by banks under lien against credit facilities issued to the Group.

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

At the reporting date, an amount of AED 2,333 million (2018: AED 3,629 million) is held with Islamic banks and the remaining balance is held with conventional banks.

7. TRADE AND OTHER RECEIVABLES

	2019 AED'000	2018 AED'000
Unbilled receivables (i)	**4,313,599**	4,447,471
Trade receivables (ii)	**2,965,014**	2,775,209
Provision for impairment on trade receivables (iii)	**(65,432)**	(24,108)
	7,213,181	7,198,572
Advances and deposits	**615,075**	778,766
Other receivables, prepayments and other assets	**181,859**	142,895
	8,010,115	8,120,233

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

Movement in unbilled receivables during the year is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**4,447,471**	5,118,024
Increase in due to project progress	**2,640,917**	3,122,381
Transfer to trade receivables	**(2,774,789)**	(3,792,934)
Balance at the end of the year	**4,313,599**	4,447,471

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**(24,108)**	(131,866)
Net (provision)/ reversal of impairment during the year	**(41,324)**	107,758
Balance at the end of the year	**(65,432)**	**(24,108)**

The Group has assessed and provided for doubtful trade receivables at the reporting date. 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.

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 2019	**4,313,599**	**409,038**	**223,628**	**197,079**	**2,069,837**	**7,213,181**
31 December 2018	4,447,471	283,418	513,047	260,279	1,694,357	7,198,572

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of impaired trade receivables is as follows:

	1 – 60 days	61 – 120 days	121 – 180 days	Above 180 days	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2019	**1,601**	**2,444**	**3,817**	**57,570**	**65,432**
31 December 2018	221	190	880	22,817	24,108

8. DEVELOPMENT PROPERTIES

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

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**9,214,522**	9,643,051
Additions	**3,543,015**	3,639,059
Transfer to cost of sales	**(3,105,910)**	(3,998,731)
Disposal of a subsidiary	**-**	(14,711)
Provision for impairment	**(124,374)**	(54,146)
Balance at the end of the year	**9,527,253**	9,214,522

Impairment of development properties

At 31 December 2019, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. 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.

This review resulted in an impairment provision of AED 124 million during the current year (2018: AED 54 million).

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.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019 (Continued)

8. DEVELOPMENT PROPERTIES (CONTINUED)

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:

	2019 AED'000	2018 AED'000
Land held for future development	**751,265**	576,908
Properties under development	**6,587,276**	6,546,544
Completed properties	**2,188,712**	2,091,070
	9,527,253	9,214,522

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 2019 is AED 1,002 million (2018: AED 1,042 million).

9. OTHER FINANCIAL ASSETS

	2019 AED'000	2018 AED'000
Escrow retention accounts	**856,026**	1,019,836
Margin deposits	**12,249**	33,426
Other	**2,119**	2,005
	870,394	1,055,267

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 2019, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit or interest at relevant commercial rates.

At the reporting date, out of total escrow retention accounts, an amount of AED 501 million (2018: AED 654 million) is held with Islamic banks and the remaining balance is held with conventional banks.

10. FINANCIAL INVESTMENT

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

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

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

There has been no change in valuation techniques used and fair value of the investments during the year.

During the year, the Group increased its investment from AED 283 million to AED 370 million (2018: from AED 263 million to AED 283 million).

A change of 100 basis points in discount rate adopted by the Group would have increased/ (decreased) other comprehensive income for the year by AED 0.2 million and a change of 500 basis points of the expected cash flows would have increased/ (decreased) other comprehensive income for the year by AED 9 million.

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for the year ended 31 December 2019 (Continued)

11. PROPERTY AND EQUIPMENT

	Buildings	Furniture and fixtures	Tools and office equipments	Motor vehicles	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost:					
At 1 January 2018	91,858	76,890	110,106	5,308	284,162
Additions	-	4,082	6,883	-	10,965
Disposals	-	(4,224)	(1,187)	(751)	(6,162)
At 31 December 2018	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**

	Buildings	Furniture and fixtures	Tools and office equipments	Motor vehicles	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Accumulated depreciation:					
At 1 January 2018	3,103	59,674	67,544	3,389	133,710
Charge for the year	3,724	3,166	12,378	689	19,957
Disposals	-	(4,014)	(756)	(681)	(5,451)
At 31 December 2018	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**
Carrying value					
At 31 December 2019	**76,737**	**17,674**	**29,512**	**4,117**	**128,040**
At 31 December 2018	85,031	17,922	36,636	1,160	140,749

12. 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:

	2019 AED'000	2018 AED'000
Cost:		
At 1 January 2019	**203,114**	203,114
Additions/ deletions	**-**	-
At 31 December 2019	**203,114**	203,114
Accumulated Depreciation:		
At 1 January 2019	**(14,218)**	(6,093)
Charge for the year	**(8,125)**	(8,125)
Balance at the end of the year	**(22,343)**	(14,218)
Carrying Value	**180,771**	188,896

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 8.3% (2018: 8.3%) and vacancy rate of 10% (2018: 15%). 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 reporting date.

At 31 December 2019, the fair value of the completed investment properties and related land was AED 298 million (2018: AED 304 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 30 million (2018: AED 27 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 million (2018: AED 2 million).

As at December 31, 2019 and 2018, there were no restrictions on the realization of investment properties or the remittance of income and proceeds of disposal. Further, there are no obligations to construct, develop or purchase investment properties.

13. SHARE CAPITAL

	2019 AED'000	2018 AED'000
Authorised, issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	6,050,000

14. TRADE AND OTHER PAYABLES

	2019 AED'000	2018 AED'000
Trade payables	**807,954**	883,151
Accruals	**1,171,228**	1,036,997
Retentions payable (i)	**1,024,187**	944,702
Deferred consideration payable for land	**75,000**	360,000
Other payables (ii)	**315,564**	226,503
Provision for employees' end-of-service indemnity (iii)	**51,657**	49,720
	3,445,590	3,501,073

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

	2019 AED'000	2018 AED'000
Retentions payable within 12 months	**520,380**	265,753
Retentions payable after 12 months	**503,807**	678,949
	1,024,187	944,702

(ii). Reconciliation of liabilities arising from financing activities

	1 January 2019 (a) AED'000	Cash flows (b) AED'000	Other changes (c) AED'000	31 December 2019 (a) AED'000
Other payables	58,581	(296,345)	290,999	53,235

14. TRADE AND OTHER PAYABLES (CONTINUED)

(ii). Reconciliation of liabilities arising from financing activities (continued)

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.

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

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**49,720**	47,562
Charge for the year	**12,998**	13,921
Payments during the year	**(11,061)**	(11,763)
Balance at the end of the year	**51,657**	49,720

15. 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:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**2,617,811**	3,274,496
Amounts billed during the year	**4,230,784**	5,504,120
Revenue recognised during the year	**(4,355,622)**	(6,070,137)
Other operating income recognised during the year (note 20)	**(121,745)**	(90,668)
Balance at the end of the year	**2,371,228**	2,617,811

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for the year ended 31 December 2019 (Continued)

16. BANK BORROWINGS

	2019 AED'000	2018 AED'000
Bank facilities	**522,543**	667,213
Overdrafts (note 6)	**27,138**	-
	549,681	667,213

a. At the reporting date, an amount of AED 138 million (2018: AED 194 million) is outstanding with Islamic banks and the remaining balance with conventional banks.

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

Islamic banks and financial institutions

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

- AED 250 million Ijarah facility with a commercial bank at a rate of 3 months EIBOR plus 3.25% per annum, repayable by 2020. Out of this, AED 112 million was repaid as at 31 December 2019.

Conventional banks and financial institutions

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

- AED 276 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2020. Out of this, AED 138 million was repaid as at 31 December 2019.
- AED 367 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2022. Out of this, AED 121 million was repaid as at 31 December 2019.
- AED 67 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. Out of this, AED 66 million was repaid as at 31 December 2019.

c. As at 31 December 2019, the Group had arranged for bank facilities amounting to AED 2,245 million (2018: AED 1,972 million) in the form of letters of credit and guarantees out of which AED 1,304 million (2018: AED 754 million) remained unutilised as at the reporting date.

d. The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 470 million (2018: AED 598 million), corporate guarantees of the Company, pledges over bank accounts and deposits aggregating to AED 521 million (2018: AED 200 million).

16. BANK BORROWINGS (CONTINUED)

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

	2019 AED'000	2018 AED'000
On demand or within one year	**424,847**	237,201
In the second and third years	**124,834**	430,012
	549,681	667,213

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

	1 January 2019 AED'000	Cash flows (i) AED'000	Other changes AED'000	31 December 2019 AED'000
Bank facilities	**667,213**	**(144,670)**	-	**522,543**

(i). The cash flows from bank facilities represent drawdowns net of repayments during the year in the consolidated statement of cash flows.

17. SUKUK CERTIFICATES

	2019 AED'000	2018 AED'000
Sukuk certificates	**3,305,686**	4,300,440
Unamortised issue costs	**(13,775)**	(20,006)
Carrying amount	**3,291,911**	4,280,434

Movement in unamortised issue costs is as follows:

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**20,006**	21,460
Incurred during the year	**-**	11,282
Amortised during the year	**(6,231)**	(12,736)
Balance at the end of the year	**13,775**	20,006

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for the year ended 31 December 2019 (Continued)

17. SUKUK CERTIFICATES (CONTINUED)

- On 9 April 2014, the Group issued US$ 650 million (AED 2,389 million) Sukuk Trust Certificates (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the Issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

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

  On 20 April 2017, the Group repurchased sukuk certificates worth US$ 197.7 million (AED 727 million) at a premium. On 19 April 2018, the Group repurchased sukuk certificates worth US$ 181.6 million (AED 667 million) at a premium. On 9 April 2019, the Group repaid outstanding balance of US$ 270.7 million (AED 995 million). The Group has fully repaid its obligation on or before schedule with the aforementioned payment.

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

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

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

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

The repayment profile of sukuk certificates is as follows:

	2019 AED'000	2018 AED'000
Amount due for settlement within 12 months	**-**	993,324
Amount due for settlement after 12 months	**3,291,911**	3,287,110
	3,291,911	4,280,434

17. SUKUK CERTIFICATES (CONTINUED)

Reconciliation of liabilities arising from financing activities

	1 January 2019 AED'000	Cash flows (i) AED'000	Other changes (ii) AED'000	31 December 2019 AED'000
Sukuk certificates	4,280,434	(994,754)	6,231	3,291,911

(i). The cash flows from sukuk certificates represent repayment of sukuk outstanding balance of US$ 270.7 million (AED 995 million) in the consolidated statement of cash flows.

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

18. RELATED PARTY TRANSACTIONS

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

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

	2019 AED'000	2018 AED'000
Entities under the control of Chairman		
Investment in DAMAC International Limited (i)	**(86,680)**	(20,400)
Support services fees (ii)	**4,836**	4,836
Purchase of land plot (iii)	**(285,000)**	-

(i). Investment in DAMAC International Limited

During the year, the Group increased its investment in DAMAC International Limited by AED 87 million (2018: AED 20 million), a related entity under the control of the Chairman. (note 10).

(ii) Support services fees

During the year, the Group received AED 4.8 million (2018: 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 22).

(iii) Purchase of land plot:

On 8 September 2019, the Group signed a share purchase agreement ("SPA") to acquire 100% of the issued share capital of Zenica Property Development LLC and Pathfinder Property Development LLC (the "Special Purpose Vehicles" or "SPVs" incorporated in Dubai each owning a plot of land) from DICO Property CO. LLC, a related party. The cost of the acquisition amounted to AED 285 million, determined based on the relative fair values of the land plots as at the date of purchase. The consideration was paid in full and there are no amounts outstanding as at the year end.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

Remuneration of key management personnel

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

	2019 AED'000	2018 AED'000
Salaries and other short-term employee benefits	**10,869**	11,647
Other long term benefits	**557**	496
	11,426	12,143

19. REVENUE

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

	2019 AED'000	2018 AED'000
Over time	**4,262,641**	5,289,404
Point in time	**136,576**	843,271
	4,399,217	6,132,675

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied performance obligations is AED 8,231 million (2018: AED 10,327 million). The Group will recognise this revenue as project progress is achieved, which is expected to occur over the next 1 to 4 years.

20. OTHER OPERATING INCOME

	2019 AED'000	2018 AED'000
Income from cancellation of units (note 15)	**121,745**	90,668
Penalties from overdue customers	**14,794**	3,983
Unit registration and transfer fees	**2**	4
	136,541	94,655

21. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	2019 AED'000	2018 AED'000
Staff costs	**380,359**	480,265
Selling and marketing expenses	**318,130**	271,951
Repairs and maintenance	**84,298**	56,046
Rent and license fees	**31,354**	43,743
Legal and professional	**55,183**	50,557
Travel and communication	**33,654**	35,016
Bank charges	**18,247**	16,706
Insurance	**12,338**	17,079
Tax expense	**194**	7,910
Other	**41,845**	26,925
	975,602	1,006,198

22. OTHER INCOME

	2019 AED'000	2018 AED'000
Property management fees	**60,910**	57,853
Support services fees (note 18)	**4,836**	4,836
Gain on disposal of a subsidiary	**-**	2,936
Other	**32,265**	14,570
	98,011	80,195

23. FINANCE INCOME

	2019 AED'000	2018 AED'000
Islamic banks and financial institutions	**95,797**	89,515
Conventional banks and financial institutions	**54,946**	72,778
	150,743	162,293

DAMAC PROPERTIES DUBAI CO PJSC

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24. FINANCE COSTS

	2019 AED'000	2018 AED'000
Islamic banks and financial institutions	**241,774**	279,190
Conventional banks and financial institutions	**38,128**	46,428
Interest on lease liabilities	**11,097**	-
	290,999	325,618

25. PROVISION FOR VALUE ADDED TAX

During the year, the Group has reassessed its position for the output VAT to be charged to certain customers. Considering the revised assessment performed by the Group for the contracts signed and installment billed/received before 01 January 2018, the Group has charged additional VAT liability in respect of its operations in UAE. The Group has also charged an additional VAT liability in respect of its operations in Kingdom of Saudi Arabia (KSA) for the period from 01 January 2018 until 30 June 2019.

Considering the above, the total additional VAT liability of AED 217 million has been charged to the statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

26. CONTINGENT LIABILITIES

	2019 AED'000	2018 AED'000
Bank guarantees	**941,370**	1,218,555

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 December 2019.

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

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.

27. COMMITMENTS

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

	31 December 2019 AED'000	31 December 2018 AED'000
Contracted for	**3,322,778**	4,585,581

Operating lease commitments – Group as a lessor

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

28. 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

	2019 AED'000	2018 AED'000
Financial assets		
At amortised cost	**12,739,740**	14,440,017
Financial investments at fair value through other comprehensive income	**369,753**	283,073
	13,109,493	14,723,090
Financial liabilities		
At amortised cost	**7,328,896**	8,399,000

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 investment (note 10) is classified as Level 3.

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for the year ended 31 December 2019 (Continued)

29. 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.

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.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the reporting date. 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 2019 would decrease/increase by AED 7.2 million (2018: AED 6.8 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

c. Foreign currency risk management

Foreign currency transactions and balances of the Group are denominated in US Dollar or currencies pegged to the US Dollar (AED, Saudi Riyal, Bahraini Dinar, Qatari Riyal, Jordanian Dinar and Lebanese Pound). As a result foreign currency transactions and balances do not represent significant currency risk to the Group.

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.

29. 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 AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
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**
31 December 2018:				
Non-interest bearing	2,697,404	461,020	292,929	3,451,353
Fixed interest rate instruments	994,520	-	3,305,920	4,300,440
Variable interest rate instruments	237,201	381,007	49,005	667,213
	3,929,125	842,027	3,647,854	8,419,006

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

e. *Liquidity risk management (continued)*

Liquidity and interest risk tables (continued)

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:

	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2019:				
Non-interest bearing	**10,307,272**	**320,377**	**128,313**	**10,755,962**
Variable interest rate instruments	**1,983,778**	**-**	**-**	**1,983,778**
	12,291,050	**320,377**	**128,313**	**12,739,740**
31 December 2018:				
Non-interest bearing	11,660,834	377,344	376,824	12,415,002
Variable interest rate instruments	2,025,015	-	-	2,025,015
	13,685,849	377,344	376,824	14,440,017

30. 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 16 and 17, 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.

31. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the (loss)/ profit 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.

	2019	2018
(Loss)/ profit for the year (AED'000)	**(36,879)**	1,151,894
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	**(0.0061)**	0.1904

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for the year ended 31 December 2019 (Continued)

32. DIVIDEND

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

33. SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Management actively monitors the situation of COVID-19 breakout as it evolves, on its financial condition, liquidity, operations, suppliers, industry, and workforce and will take necessary measures to safeguard interest of all stakeholders of the Group.

34. COMPARATIVE FIGURES

The group has reclassified or regrouped certain previous year figures based on the presentation adopted in these consolidated financial statements.

	As previously reported	**Reclassification**	**As reclassified**
General, administrative and selling expenses	(898,440)	(107,758)	(1,006,198)
Provision/ (Reversal) of impairment on trade receivables	-	107,758	107,758

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 was approved by the Board of Directors and authorised for issue on 26 March 2020.

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