Damac Real Estate Development Limited, DIFC
Dubai - United Arab Emirates

Report and consolidated financial statements
for the year ended 31 December 2022

Damac Real Estate Development Limited, DIFC
Dubai - United Arab Emirates

Consolidated Financial Statements for the year ended 31 December 2022

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Director Report

The Director has the pleasure in submitting their report together with the consolidated financial statements of Damac Real Estate Development Limited, DIFC (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2022. Profit for the year is AED 1,404 million (2021: Loss of AED 528 million).

Principal activities

The principal activity of the Group is investment in real estate development companies.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2022 are set out in the accompanying consolidated financial statements.

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Director

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Damac Real Estate Development Limited, DIFC
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Damac Real Estate Development Limited, DIFC** (the "Company") **and its subsidiaries** (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 *Auditors' 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* (the "IESBA Code") together with the other ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities requirements 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 judgment, 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.

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INDEPENDENT AUDITOR'S REPORT

to the shareholder of Damac Real Estate Development Limited, DIFC (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of properties held for development and sale	
The Group holds properties for development and sales of AED 7,535 million, which comprise completed residential and commercial properties (AED 1,307 million), land held for mixed-use development and sale (AED 222 million) and properties under construction (AED 6,006 million) as disclosed in note 10. The Group determines whether its properties held for development and sale exhibit any indicators of impairment and if so, compares the recoverable amount of each property to its carrying amount. The Group applies significant estimates in determining the recoverable amount of properties held for development and sale. Changes in these estimates could have a significant impact on the determination of the recoverable amount of properties held for development and sale. Key inputs used by management in their valuation exercise include future projected cash flows and comparable property transactions, which are influenced by prevailing market conditions and the specific characteristics of each property in the portfolio. In addition, the Group also appoints professionally qualified external valuers to determine the fair value of the Group's portfolio of properties held for development and sale. The estimation of property cost and net realisable value is a key process as a change in the Group's forecast estimate of sales price and construction cost could have a material impact on the carrying value of the properties held for development and sale in the Group's consolidated financial statements. In the event that the carrying amount of a property is higher than its recoverable amount, the Group will adjust the property to its recoverable amount and recognise an impairment loss. Refer to note 5 for details about judgements applied and estimates made in determining the valuation of properties held for development and sale.	Our audit procedures included, but were not limited to, the following: We obtained an understanding of the process implemented by the Group in valuing properties held for development and sale. We assessed the controls over the valuation process to determine if they had been designed and implemented appropriately. We considered if there were any properties which exhibited indicators of impairment and had not been considered for an assessment of the recoverable amount by management. We assessed the external valuer's skills, objectivity, competence and independence. We read the external valuer's terms of engagement with the Group to determine if the scope was sufficient for audit purposes. We tested samples for the data provided to the external valuer by the Group. This data included costs incurred to date, costs to complete, historical sales prices, outstanding receivables to be collected and information relating to unsold inventories.

INDEPENDENT AUDITOR'S REPORT

to the shareholder of Damac Real Estate Development Limited, DIFC (continued)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of properties held for development and sale (continued)	
	We involved our internal real estate valuation specialists to review the valuation reports for selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards and requirements of Royal Institute of Chartered Surveyors for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of impairment loss. Where we identified estimates and assumptions that are outside the typical ranges used, we discussed these with the external valuer to understand the rationale. We determined whether the results of the valuation were appropriately incorporated into the results presented in the consolidated financial statements. We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition of development property sales	
Revenue recognition on property development sales require significant judgements to be applied and estimates to be made. The Group assesses for each of its contracts with customers for property development and sales, whether to recognise revenue over time or at a point in time based on a consideration of whether the Group has created a real estate asset with no alternative use and whether the Group has an enforceable right to payment for performance completed at any time during the life of the contract as disclosed in Note 4 to the consolidated financial statements. Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period.	Our audit procedures included, but were not limited to, the following: We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of development properties sales. We tested the design and operating effectiveness of relevant controls over revenue which included; ▪ the budgeting process including the variation process of the Group to assess the robustness of the budgets with specific focus on the expected total cost to complete the real estate developments; and ▪ the review and approval process over the preparation of percentage of completion calculations.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition of development property sales (continued)</td></tr>
<tr><td>Revenue recognition on property development and sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations and judgments made in assessing the timing of revenue recognition.

Refer to note 5 for details about judgments applied and estimates made in determining the amount of revenue to be recognised.</td><td>In addition, we also performed the following audit procedures on a sample of contracts;

▪ verified that the Group has correctly recognised revenue in accordance with the terms of the contracts and the relevant jurisdiction in which the project is located;

▪ recalculated the revenue and compared it with the calculation performed by the management; and

▪ reviewed and challenged the basis of estimation used by management for assessing the total cost to complete for the respective real estate projects are reasonable.

We assessed the disclosure in the consolidated financial statements relating to this area against the requirements of IFRSs.</td></tr>
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<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Group's reorganization</td></tr>
<tr><td>During the year, the Group underwent a significant reorganization, resulting in the disposal of 70 subsidiaries and other assets either directly to the Ultimate Shareholder, or to Companies controlled by the Ultimate Shareholder.

This resulted in net assets of approximately AED 3.85 billion being derecognized during the year. A gain of AED 42 million arose as a result of this reorganization which was recorded in the consolidated statement of changes in equity.

Management identified the assets and liabilities to be derecognized as part of the reorganization with reference to the relevant underlying agreements and ensured that all derecognized assets and liabilities were appropriately measured at the disposal date.</td><td>Our audit procedures included, but were not limited to, the following:

We obtained an understanding of the process implemented by the Group with regards to the reorganization carried out during the year and evaluated the related controls to determine if they had been appropriately designed and implemented.

We reviewed the relevant agreements relating to the reorganization to identify the subsidiaries and assets to be disposed, the overall purchase price and the disposal date.

We determined that the assets and liabilities disposed of did not contain material misstatements as at the disposal date. This was done through agreeing amounts to supporting documentation and evaluating if the measurement of these assets and liabilities was in accordance with the requirements of IFRSs.</td></tr>
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INDEPENDENT AUDITOR'S REPORT

to the shareholder of Damac Real Estate Development Limited, DIFC (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Group's reorganization (continued)	
We identified this reorganization as a key audit matter because: • it is a significant transaction outside of the normal course of business; • the disposal was to a related party; • accounting for disposals of subsidiaries and the level of disclosure required in the consolidated financial statements relating to this matter is complex; and • it requires effort to identify the assets and liabilities to be derecognized and to ensure that these assets and liabilities do not contain any material misstatements at the disposal date. Any material misstatements existing at the disposal date would have a material consequential impact in the amounts reported in the consolidated statement of profit or loss and other comprehensive income. Refer to notes 38 and 39 in the consolidated financial statements relating to this matter.	We determined that all the affected assets and liabilities were derecognized at the date of disposal by agreeing amounts in the subsidiaries' accounting records to the calculations of the amounts derecognized. We determined that the disposal did not represent a separate major line of business or geographical area of operations and consequently no requirement existed to bifurcate the comparative consolidated statement of profit or loss and other comprehensive income between continuing and discontinued operations. We determined that the effects of the reorganization had been correctly considered when determining the amounts presented in the consolidated statement of cash flows. We recalculated the resultant gain on disposal presented in the consolidated statement of changes in equity. We determined that the disclosure in the consolidated financial statements relating to this matter were in accordance with the requirements of IFRSs.

Other information

The Director is responsible for the other information. The other information comprises the Director Report, but 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 our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

INDEPENDENT AUDITOR'S REPORT

to the shareholder of Damac Real Estate Development Limited, DIFC (continued)

Responsibilities of the 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 IFRSs and their preparation in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018, 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.

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.

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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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.

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INDEPENDENT AUDITOR'S REPORT

to the shareholder of Damac Real Estate Development Limited, DIFC (continued)

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude 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.

Report on Other Legal and Regulatory Requirements

Further, we report that the consolidated financial statements comply, in all material aspects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

Deloitte & Touche (M.E.)

Deloitte & Touche

15 March 2023
Dubai
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2022

	Notes	2022 AED'000	2022 USD'000 Equivalent	2021 AED'000	2021 USD'000 Equivalent
ASSETS					
Cash and bank balances	7	**8,170,066**	**2,223,147**	4,120,345	1,121,182
Financial investments	8	-	-	2,606,169	709,162
Trade and other receivables	9	**5,111,496**	**1,390,884**	5,309,737	1,444,827
Development properties	10	**7,535,172**	**2,050,387**	8,585,233	2,336,118
Investment in associates	11	-	-	903,926	245,966
Other financial assets	12	**446,928**	**121,613**	441,972	120,264
Right-of-use assets	13	**54,174**	**14,741**	56,899	15,483
Property and equipment	14	**111,438**	**30,323**	129,702	35,293
Investment properties	15	**63,066**	**17,161**	164,522	44,768
Due from related parties	22	**76,590**	**20,841**	-	-
Total assets		**21,568,930**	**5,869,097**	22,318,505	6,073,063
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	**3,980,025**	**1,083,000**	3,980,025	1,083,000
Statutory reserve		**151,883**	**41,329**	151,883	41,329
Fair value reserve		-	-	488,369	132,889
Foreign currency translation reserve	37	-	-	(280,031)	(76,199)
Retained earnings		**5,209,588**	**1,417,576**	8,746,873	2,380,102
Total equity		**9,341,496**	**2,541,905**	13,087,119	3,561,121
LIABILITIES					
Trade and other payables	18	**3,288,041**	**894,704**	3,129,689	851,616
Advance from customers	19	**7,656,864**	**2,083,500**	3,373,313	917,908
Bank borrowings	20	-	-	124,834	33,969
Sukuk certificates	21	**1,217,538**	**331,303**	2,538,433	690,730
Lease liabilities	13	**64,991**	**17,685**	65,117	17,719
Total liabilities		**12,227,434**	**3,327,192**	9,231,386	2,511,942
Total equity and liabilities		**21,568,930**	**5,869,097**	22,318,505	6,073,063

The consolidated financial statements was signed on 15 March 2023 by:

Director

Consolidated statement of profit or loss for the year ended 31 December 2022

	Notes	2022 AED'000	2022 USD'000 Equivalent	2021 AED'000	2021 USD'000 Equivalent
Revenue	23	3,000,473	816,455	2,967,132	807,383
Cost of sales		(1,887,097)	(513,496)	(2,160,831)	(587,981)
Gross profit		1,113,376	302,959	806,301	219,402
Other operating income - net	24	1,241,569	337,842	137,188	37,330
General, administrative and selling expenses	25	(1,842,161)	(501,268)	(1,369,500)	(372,653)
Amortisation of right-of-use assets	13	(3,077)	(837)	(2,738)	(745)
Depreciation on property & equipment	14	(20,420)	(5,556)	(32,185)	(8,758)
Depreciation on investment properties	15	(9,643)	(2,624)	(8,125)	(2,211)
Reversal of impairment on development properties - net	10	694,208	188,900	379,758	103,336
Loss allowance reversal/(charged) on trade receivables	9	67,329	18,321	(27,248)	(7,414)
(Loss)/gain on sale of financial investments carried at fair value through profit or loss (FVTPL)	8(b)	(130,405)	(35,484)	201,493	54,828
Loss on financial investments carried at fair value through profit or loss (FVTPL)	8(b)	-	-	(429,480)	(116,865)
Exchange loss	37	(23,589)	(6,419)	(237,856)	(64,723)
Other income – net	26	274,813	74,779	122,540	33,344
Finance income	27	91,800	24,980	12,460	3,390
Finance costs	28	(108,958)	(29,648)	(194,536)	(52,935)
Share of net (loss)/gain of associates	11	(13,219)	(3,597)	94,956	25,838
Gain on net monetary position	37	91,030	24,770	194,934	53,043
Provision for value added tax	29	(16,533)	(4,499)	(127,810)	(34,778)
Profit/(loss) before tax		1,406,120	382,619	(479,848)	(130,571)
Income tax expense – overseas	36	(2,292)	(624)	(48,405)	(13,171)
Profit/(loss) for the year		1,403,828	381,995	(528,253)	(143,742)
Attributable to:					
Owners of the company		1,404,945	382,299	(528,253)	(143,742)
Non-controlling interests		(1,117)	(304)	-	-
		1,403,828	381,995	(528,253)	(143,742)
Earnings/(loss) per share attributable to the owners of the Company:					
Basic and diluted AED/USD	41	1.297	0.353	(0.488)	(0.133)

The accompanying notes on pages 15 to 82 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Notes	2022 AED'000	2022 USD'000 Equivalent	2021 AED'000	2021 USD'000 Equivalent
Profit/(loss) for the year		**1,403,828**	**381,995**	(528,253)	(143,742)
Other comprehensive (loss) / income:					
Item that will not be reclassified subsequently to consolidated statement of profit or loss:					
Fair value (loss)/gain on investment in equity instruments designated at fair value through other comprehensive income (FVTOCI)	**8(a)**	**(281,743)**	**(76,665)**	447,232	121,696
Item that may be reclassified subsequently to consolidated statement of profit or loss:					
Foreign exchange differences on translation of financial statements of foreign operations		**(116,784)**	**(31,778)**	(280,031)	(76,199)
Other comprehensive (loss)/income for the year		**(398,527)**	**(108,443)**	167,201	45,497
Total comprehensive income/(loss) for the year		**1,005,301**	**273,552**	(361,052)	(98,245)
Total comprehensive income / (loss) attributable to:					
Owners of the Company		**1,030,527**	**280,416**	(361,052)	(98,245)
Non-controlling interests		**(25,226)**	**(6,864)**	-	-
		1,005,301	**273,552**	(361,052)	(98,245)

Consolidated statement of changes in equity for the year ended 31 December 2022

	Attributable to the owners of the Company							
	Share capital AED'000	**Statutory reserve AED'000**	**Fair value reserve AED'000**	**Foreign currency translation reserve AED'000**	**Retained earnings AED'000**	**Total AED'000**	**Non-controlling interest AED'000**	**Total AED'000**
Balance at 1 January 2021	3,980,025	151,883	(43,459)	-	8,900,810	12,989,259	-	12,989,259
Restatement (note 37)	-	-	-	-	458,912	458,912	-	458,912
Balance at 1 January 2021 - restated	3,980,025	151,883	(43,459)	-	9,359,722	13,448,171	-	13,448,171
Loss for the year	-	-	-	-	(528,253)	(528,253)	-	(528,253)
Other comprehensive income	-	-	447,232	-	-	447,232	-	447,232
Effect of translation of foreign operations (note 37)	-	-	-	(280,031)	-	(280,031)	-	(280,031)
Other comprehensive income for the year	-	-	447,232	(280,031)	-	167,201	-	167,201
Total comprehensive loss for the year	-	-	447,232	(280,031)	(528,253)	(361,052)	-	(361,052)
Transfer on derecognition of investment at FVTOCI [note 8 (a)]	-	-	84,596	-	(84,596)	-	-	-
Balance at 31 December 2021	3,980,025	151,883	488,369	(280,031)	8,746,873	13,087,119	-	13,087,119
Acquisition of additional stake in a subsidiary (note 16)	-	-	-	-	-	-	**411,487**	**411,487**
Payment to non-controlling interests (note 16)	-	-	-	-	-	-	**(33,543)**	**(33,543)**
Profit for the year	-	-	-	-	**1,404,945**	**1,404,945**	**(1,117)**	**1,403,828**
Other comprehensive loss for the year	-	-	**(281,743)**	**(92,675)**	-	**(374,418)**	**(24,109)**	**(398,527)**
Total comprehensive income/(loss) for the year	-	-	**(281,743)**	**(92,675)**	**1,404,945**	**1,030,527**	**(25,226)**	**1,005,301**
Transfer of fair value reserve upon disposal of investments in equity instruments designated at FVTOCI	-	-	**(206,626)**	-	**206,626**	-	-	-
Derecognition of non-controlling interests on disposal of subsidiaries (note 38)	-	-	-	-	-	-	**(352,718)**	**(352,718)**
Gain on disposal of subsidiaries – net (note 38)	-	-	-	**372,706**	**41,704**	**414,410**	-	**414,410**
Dividends (note 40)	-	-	-	-	**(5,190,560)**	**(5,190,560)**	-	**(5,190,560)**
Balance at 31 December 2022	**3,980,025**	**151,883**	-	-	**5,209,588**	**9,341,496**	-	**9,341,496**

The accompanying notes on pages 15 to 82 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2022

	2022 **AED'000**	**2022** **USD'000** **Equivalent**	2021 AED'000	2021 USD'000 Equivalent
Cash flows from operating activities				
Profit/(loss) for the year before tax	**1,406,120**	**382,619**	(479,848)	(130,571)
Adjustments for:				
Depreciation on property and equipment and investment properties (notes 14 and 15)	**30,063**	**8,180**	40,310	10,969
Amortisation on right-of-use assets (note 13)	**3,077**	**837**	2,738	745
Provision for employees' end-of-service indemnity (note 18)	**20,075**	**5,463**	12,515	3,405
Amortisation of issue costs on sukuk certificates (note 21)	**2,951**	**803**	5,036	1,370
Loss on write off/disposal of property and equipment (note 14)	**11,330**	**3,083**	6,407	1,743
Reversal of impairment on development properties - net (note 10)	**(694,208)**	**(188,900)**	(379,758)	(103,336)
Loss allowance (reversal)/charged on trade receivables (note 9)	**(67,329)**	**(18,321)**	27,248	7,414
Finance costs (note 28)	**108,958**	**29,648**	194,536	52,935
Finance income (note 27)	**(91,800)**	**(24,980)**	(12,460)	(3,390)
Loss on disposal/fair value of financial investments at FVTPL [note 8 (b)]	**130,405**	**35,484**	429,480	116,865
Share of net loss/(gain) of associates (note 11)	**13,219**	**3,597**	(94,956)	(25,838)
Dividend income (note 26)	**(23,765)**	**(6,467)**	(52,611)	(14,316)
Gain on net monetary position (note 37)	**(91,030)**	**(24,770)**	(194,934)	(53,043)
Loss on repurchase of sukuk certificates (note 26)	**1,171**	**319**	7,042	1,916
Provision for value added tax (note 29)	**16,533**	**4,499**	127,810	34,778
Operating cash flows before changes in operating assets and liabilities	**775,770**	**211,094**	(361,445)	(98,354)
(Increase)/decrease in trade and other receivables	**(658,792)**	**(179,264)**	1,687,581	459,206
Decrease/(increase) in development properties	**384,977**	**104,756**	(72,709)	(19,785)
Increase in trade and other payables	**405,895**	**110,448**	145,831	39,683
Increase in advances from customers	**4,662,332**	**1,268,662**	1,292,333	351,655
Employee end-of-service indemnity paid (note 18)	**(8,321)**	**(2,264)**	(7,250)	(1,973)
Currency translation adjustments/hyperinflation	-	-	(42,175)	(11,476)
Increase in due from related parties	**(445,272)**	**(121,162)**	-	-
Income tax paid – overseas	**(2,292)**	**(624)**	-	-
Net cash generated from operating activities	**5,114,297**	**1,391,646**	2,642,166	718,956
Cash flows from investing activities				
Purchases of property and equipment (note 14)	**(28,146)**	**(7,659)**	(24,863)	(6,765)
Purchase of investment properties (note 15)	**(132,972)**	**(36,183)**	-	-
Acquisition of financial investments at FVTPL and FVTOCI (note 8)	**(254,584)**	**(69,275)**	(3,397,225)	(924,415)
Proceeds from disposal of financial investment at FVTPL (note 8)	**1,943,650**	**528,884**	1,342,400	365,279
Investment in associate (note 11)	-	-	(286,650)	(78,000)
Acquisition of subsidiaries - net of cash acquired (note 16)	**51,889**	**14,119**	-	-
Disposal of subsidiaries - net of cash disposed of (note 39)	**(556,118)**	**(151,325)**	-	-
(Increase)/decrease in other financial assets (note 12)	**(39,864)**	**(10,847)**	287,275	78,170
(Increase)/decrease in deposits with an original maturity of greater than three months (note 7)	**(347,946)**	**(94,679)**	476,990	129,793
Interest received	**85,126**	**23,164**	17,030	4,634
Dividend income received (note 26)	**23,765**	**6,467**	52,611	14,316
Net cash generated from/(used in) investing activities	**744,800**	**202,666**	(1,532,432)	(416,988)

The accompanying notes on pages 15 to 82 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)
for the year ended 31 December 2022

	2022 AED'000	2022 USD'000 Equivalent	2021 AED'000	2021 USD'000 Equivalent
Cash flows from financing activities				
Repayment of bank borrowings (note 20)	**(124,834)**	**(33,968)**	-	-
Proceeds from bank borrowings (note 20)	**13,156**	**3,580**	-	-
Redemption and repurchase of sukuk certificates (note 21)	**(1,325,017)**	**(360,549)**	(543,569)	(147,910)
Repayment of principal lease liabilities (note 13)	**(6,622)**	**(1,802)**	(6,622)	(1,802)
Dividend paid (note 40)	**(551,250)**	**(150,000)**	-	-
Non-controlling interests (note 16)	**(33,543)**	**(9,127)**	-	-
Finance costs paid	**(129,212)**	**(35,160)**	(204,199)	(55,564)
Net cash used in financing activities	**(2,157,322)**	**(587,026)**	(754,390)	(205,276)
Net increase in cash and cash equivalents	**3,701,775**	**1,007,286**	355,344	96,692
Cash and cash equivalents at the beginning of the year (note 7)	**3,663,015**	**996,739**	3,307,671	900,047
Cash and cash equivalents at the end of the year (note 7)	**7,364,790**	**2,004,025**	3,663,015	996,739
Non-cash transactions:				
Disposal of subsidiaries (note 38)	**3,172,271**	**863,203**	-	-
Disposal of assets (note 39)	**1,084,932**	**295,220**	-	-
Due from a related party (note 22)	**368,682**	**100,322**	-	-

The accompanying notes on pages 15 to 82 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2022

1. General information

Damac Real Estate Development Limited, DIFC (the "Company") was incorporated on 31 October 2013 as a Company limited by shares (registration number 1476) with the Registrar of Companies of the Dubai International Financial Centre (the "DIFC") under the DIFC Companies Law. The registered address of the Company is Unit 115, Level 1, Park Towers, Dubai International Financial Centre, P.O. Box 2195, Dubai, United Arab Emirates (U.A.E.).

The Company is 100% owned by Damac Properties Dubai Co P.S.C. (the "Parent Company"). The Ultimate Shareholder is Mr. Hussain Ali Habib Sajwani (the "Ultimate Shareholder").

The Company and its subsidiaries (collectively the "Group") are involved mainly in the development of properties in the Middle East. Refer note 4.2 for the list of subsidiaries.

2 Basis of preparation and statement of compliance

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and also comply, in all material aspects, with the applicable provisions of the Companies Law pursuant to DIFC Law No. 5 of 2018.

2.2 Basis of preparation

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

Basis of measurement

The consolidated financial statements of the Group are prepared under the historical cost basis, except for certain financial assets carried either at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Historical cost is generally based on the 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.

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

2.2 Basis of preparation (continued)

Basis of measurement (continued)

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.

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

3. Application of new and revised International Financial Reporting Standards (“IFRSs”)

(a) New and amended IFRSs that ere effective for the current year

In the current year, the Group has applied the below amendments to IFRS standards and interpretations issued by the International Accounting Standard Board (IASB) that are effective for annual periods beginning on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

3. Application of new and amended International Financial Reporting Standards ("IFRSs") (continued)

(a) New and revised IFRSs that ere effective for the current year (continued)

Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*

The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

(a) New and amended IFRSs that ere effective for the current year (continued)

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cashflows and discount rates for the most appropriate fair value measurement.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2022.

(b) New and amended IFRSs in issue but not yet effective and not early adopted

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective. Management does not expect that the adoption of the Standards listed below will have a material impact on the consolidated financial statements of the Group in future periods.

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17 Insurance Contracts)	1 January 2023
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet decided
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 16 Leases – Sale and leaseback transactions	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements – Classification of a liability	1 January 2024

4. Significant accounting policies

4.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

4. Significant accounting policies (continued)

4.1 Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

4.2 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 (its subsidiaries) made up to 31 December each year. 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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

4. Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

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 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.

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries listed below which in total are 69 (2021: 116) companies (together the "Group"):

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Damac Luxury Real Estate Properties Co LLC	U.A.E.	Real estate development	100%	100%
Damac Heritage Properties Co LLC	U.A.E.	Real estate development	100%	100%
Al Bawader Real Estate L.L.C	U.A.E.	Sales office	100%	100%
Front Line Investment Management L.L.C	U.A.E.	Real estate development	100%	100%
Business Tower Investment L.L.C	U.A.E.	Real estate development	100%	100%
Damac Properties Development Co (L L C)	U.A.E.	Holding company	100%	100%
Damac Properties Co. (L.L.C)	U.A.E.	Holding company	100%	100%
Marina Terrace Co.(L.L.C)	U.A.E.	Real estate development	100%	100%
Damac Gulf Properties (L.L.C)	U.A.E.	Real estate development	100%	100%
Lake Terrace Co. L.L.C	U.A.E.	Real estate development	100%	100%
Royal Crown Properties L.L.C	U.A.E.	Real estate development	100%	100%
Damac Star Properties (L L C)	U.A.E.	Real estate development	100%	100%
Island Oasis Properties	U.A.E.	Real estate development	100%	100%
Damac Crescent Properties	U.A.E.	Real estate development	100%	100%

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

4. Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Damac Development (LLC)	U.A.E.	Real estate development	100%	100%
The Waves FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Real Estate Developers FZ- LLC	U.A.E.	Real estate development	100%	100%
Damac Properties FZ- LLC	U.A.E.	Real estate development	100%	100%
Damac Real Estate Services Co (L.L.C)	U.A.E.	Holding company	100%	100%
Namaa Properties Development L.L.C	U.A.E.	Real estate development	100%	100%
Damac Homes (L.L.C)	U.A.E.	Group treasury operation	100%	100%
Damac Properties Services Co. Shj LLC	U.A.E.	Sales office	49%	100%
Ocean Pearl Real Estate Comp LLC	U.A.E.	Real estate development	100%	100%
Luxury Owner Association Management Services Co. L.L.C	U.A.E.	Facilities management	100%	100%
Majara Investments Limited	British Virgin Island	Investment company	100%	100%
Priority Holding Limited	Cayman Islands	Trust arrangement	100%	100%
Damac Hotels & Resorts Management L.L.C	U.A.E.	Hotels management	100%	100%
Paramount Holiday Homes L.L.C	U.A.E.	Vacation homes rental	100%	100%
Damac Private Real Estate Management L.L.C	U.A.E.	Investment company	100%	100%
Damac Business Real Estate Co. L.L.C	U.A.E.	Real estate development	100%	100%
Damac World Real Estate L.L.C	U.A.E.	Real estate development	100%	100%
Damac Canal One Property Development L.L.C	U.A.E.	Real estate development	100%	100%
Damac Canal Two Property Development L.L.C	U.A.E.	Real estate development	100%	100%
JA Parks L.L.C	U.A.E.	Real estate development	100%	100%
Damac Asset Management L.L.C	U.A.E.	Property leasing	100%	100%
Damac International Golf Club L.L.C	U.A.E.	Golf club	100%	100%
Quanta Real Estate L.L.C	U.A.E.	Real estate development	100%	100%
Avitus Investments L.L.C	U.A.E.	Shell Company	100%	100%
Alpha Star Holding V Limited	Cayman Islands	Trust arrangement	0%	100%
M H S Sports Academy Owned by Damac Crescent Properties One Person Company L.L.C	U.A.E.	Sports activities, tennis training	100%	100%

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

4. Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
RICA Marketing and Support Service LLP	India	Marketing and public relations	100%	100%
Proteus Hotel L.L.C	U.A.E.	Hotels management	100%	100%
Dov Luxury Co L.L.C	U.A.E	Real estate development	100%	100%
Pathfinder Property Development L.L.C	U.A.E.	Real estate development	100%	100%
Guangzhou Advance Consulting Service Limited.	China	Sales office	0%	100%
Zenica Property Development L.L.C	U.A.E.	Real estate development	100%	100%
Remus Hotel L.L.C	U.A.E.	Hotels management	100%	100%
Trios Hotel Appartments L L C	U.A.E.	Hotel apartments rental	100%	100%
Prive Cafe L.L.C	U.A.E.	Restaurant/Coffee shop	100%	100%
BB Plot 1 LLC	U.A.E.	Real estate development	100%	100%
BB Plot 2 LLC	U.A.E.	Real estate development	100%	100%
LETA Investment B.V.	Netherlands	Investment company	100%	100%
Oceanside Development Company Limited	United Kingdom	Real estate development	100%	100%
Damac C S L Investment LLC	U.A.E.	Investment company	100%	100%
Damac J R ONE Investment L.L.C	U.A.E.	Investment company	100%	100%
Damac J R TWO Investment L.L.C	U.A.E.	Investment company	100%	100%
Damac J W F Investment L.L.C	U.A.E.	Investment company	100%	100%
Damac MDN Investment L.L.C	U.A.E.	Investment company	100%	100%
Damac MRY Investment L.L.C	U.A.E.	Investment company	100%	100%
Damac P S L Investment L.L.C	U.A.E.	Investment company	100%	100%
Lona Investment L.L.C	U.A.E.	Investment company	100%	100%
Pax Investment L.L.C	U.A.E.	Investment company	100%	100%
Damac Enterprises & Management Co. (L.L.C)	U.A.E.	Trade marks	100%	100%
Promus Hotel LLC*	U.A.E.	Hotels management	100%	100%
DAMAC Al Marjan Real Estate LLC*	U.A.E.	Real estate development	100%	100%
Luluah Al Nujoom Real Estate LLC*	U.A.E.	Real estate development	100%	100%
Glory Sky Investments LLC*	U.A.E.	Investment company	100%	100%
Malibu Restaurant L.L.C*	U.A.E.	Restaurant/Coffee shop	100%	100%
Alpha Star Holding VI Limited*	U.A.E.	Trust arrangement	100%	100%

* These are newly incorporated entities / acquired that became part of the Group during the year.

4. Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

During the year, the Group liquidated the following subsidiaries:

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Bright Gulf Investments Limited	BVI	Investment company	100%	100%
Luxury Facilities Management L.L.C	U.A.E.	Facilities management	100%	100%
Luxury Owners Association Management Services SAL	Lebanon	Facilities management	100%	100%
Alpha Star Holding III Limited	Cayman Islands	Trust arrangement	0%	100%

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

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

4.3 Disposal of subsidiaries

When the Group losses control of a subsidiary under a common control transaction, the gain or loss on disposal is recognised directly in equity. The gain or loss is calculated as the difference between the aggregate of the fair value of the net assets disposed off and the previous carrying amount of the net assets, adjusted for any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary being disposed off are reclassified to retained earnings as part of gain or loss on disposal.

During the year, as part of Group reorganisation, below subsidiaries were disposed under a common control transaction and control of the below subsidiaries passed to the acquirer, the Ultimate Shareholder. Details of the assets and liabilities disposed, and the calculation of gain or loss on disposal are disclosed in note 38.

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Martis Investment Company	France	Investment company	100%	100%
ABT Landco Limited	Ireland	Cloud Service & Datacenters Providers	90%	90%
Edgnex Turkey Gayrimenkul Bilisim Teknolojileri Anonim Sirketi	Turkey	Real estate development	100%	100%
Edgnex Data Centre & Cloud Services	Morocco	Real estate development	100%	100%
MAEA Investment B.V.	Netherlands	Investment company	100%	100%

4. Significant accounting policies (continued)

4.3 Disposal of subsidiaries (continued)

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Elite Turkey Gayrimenkul Yatirim Anonim Sirketi	Turkey	Real estate development	100%	100%
Prestige Turkey Gayrimenkul Yatirim Anonim Sirketi	Turkey	Real estate development	100%	100%
Clio Development Company Limited	United Kingdom	Real estate development	100%	100%
10245 Collins Holdings, INC.	United States of America	Holding company	100%	100%
10245 COLLINS LLC	United States of America	Shell Company	100%	100%
East Oceanside Development, LLC	United States of America	Real estate development	100%	100%
Florida Pine Investments, LLC	United States of America	Investment company	100%	100%
Damac International Limited**	Cayman Islands	Investment company	68%	68%
Lucan Marketing and Consulting Services LTD**	Israel	Marketing and exhibitions	68%	68%
Vita Heights Company Limited**	Maldives	Resort management	68%	68%
Vita Heights Company Limited**	U.A.E.	Resort management	68%	68%
AYKON International Real Estate Services Limited**	United Kingdom	Marketing services	68%	68%
NINE ELMS L.R LIMITED**	United Kingdom	Real estate development	76%	76%
Nine Elms LR 2 Limited**	United Kingdom	Real estate development	76%	76%
Nine Elms Property Limited**	United Kingdom	Real estate development	76%	76%
NINE ELMS S. R CO LTD.**	United Kingdom	Real estate development	76%	76%
NINE ELMS S.H CO LTD**	United Kingdom	Real estate development	76%	76%
Primus International GmbH*	Germany	Real estate development	100%	100%
Akoya Property Investment Company ApS*	Denmark	Real estate development	90%	90%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
Damac Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
Damac Properties Lebanon SAL	Lebanon	Real estate development	100%	100%

4. Significant accounting policies (continued)

4.3 Disposal of subsidiaries (continued)

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Damac Enterprises Co. Ltd	Mauritius	Trademarks	100%	100%
Damac Properties International Limited	Mauritius	Holding company	100%	100%
Excel Operations Company Limited	U.A.E.	Holding company	100%	100%
Kapok Investments Limited	United Kingdom	Investment company	100%	100%
Seascape Investment Company Limited	United Kingdom	Investment company	100%	100%
Ghalia Investment (Canada) Limited	Canada	Investment company	100%	100%
Damac Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Casa Investment Co. L.L.C	U.A.E.	Real estate development	100%	100%
Dico International Investment L.L.C**	U.A.E.	Investment company	100%	100%
Dark International for Land and Real Estate Development and Management Co.-OPC**	Kuwait	Real estate development	100%	100%
DICO Eskan for Land and Real Estate Development & Management Co.-OPC**	Kuwait	Real estate development	100%	100%
DICO Housing for Land and Real Estate Leasing and rental Co.-OPC**	Kuwait	Real estate development	100%	100%
DICO International for Land and Real Estate Development & Management Co.-OPC**	Kuwait	Real estate development	100%	100%
DICO Luxury Group for Land and Real Estate Development & Management Co.-OPC**	Kuwait	Real estate development	100%	100%
House of Luxury for Land and Real Estate Development & Management**	Kuwait	Real estate development	100%	100%
Helios Venture Holdings Limited	BVI	Holding company	100%	100%
Vitus Buckingham Gate Development Limited	United Kingdom	Development of Building Projects	100%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Dalma Investment Limited	Canada	Real estate development	100%	100%
Kings Vally Investment LLC	U.A.E.	Investment company	99%	99%
MILON DEVELOPMENT COMPANY LIMITED	United Kingdom	Real estate development	100%	100%
Buckingham Gates Estates Limited	United Kingdom	Development of Building Projects	100%	100%
Damac General Trading (L.L.C)	U.A.E.	Holding company	0%	100%
Damac Crescent Properties Company LLC	U.A.E.	Real estate development	0%	100%
Damac Properties Qatar WLL	Qatar	Real estate development	0%	100%
Al Hikmah International Enterprises LLC	Qatar	Real estate development	0%	100%

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

4. Significant accounting policies (continued)

4.3 Disposal of subsidiaries (continued)

Name of the entities	Country of incorporation	Principal activities	Legal interest	Economic interest
Viator Investment Limited**	British Virgin Island	Investment company	100%	100%
Dosia Investment Limited**	British Virgin Island	Investment company	100%	100%
Al Aman Investment Management Co. LLC	U.A.E.	Holding company	100%	100%
Damac Tuscan Residence L L C	U.A.E.	Real estate development	100%	100%
Damac Lake View Company Limited	U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Park Towers Company Limited	U.A.E.	Real estate development	100%	100%
Damac Crown Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%
Arjann Holdings Limited	BVI	Investment company	100%	100%
Maksab Holding Limited	BVI	Holding company	100%	100%
Damac FC Holding Co Ltd	U.A.E.	Holding company	100%	100%
Damac Hills Properties Development L L C	U.A.E.	Real estate development	100%	100%
Globe An Investments LLC	U.A.E.	Investment company	100%	100%
Creon Investment L.L.C	U.A.E.	Investment company	100%	100%
Luxury Star Investment L.L.C	U.A.E.	Investment company	100%	100%

** During the year, Companies acquired and disposed under common control transaction.

4.4 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. Significant accounting policies (continued)

4.4 Investment in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed off.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

4. Significant accounting policies (continued)

4.5 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.

4.6 Trade and other receivables

Trade and other receivables are amounts due from customers for properties sold or services provided in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration receivable less expected credit losses. Services rendered but not billed at the reporting date are accrued as per the terms of the agreements as unbilled receivable. These financial assets are carried at amortised cost.

4.7 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa.

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 FVTOCI;
- 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 FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not transferred to consolidated statement of profit or loss.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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.
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 modelThe Group reassesses its business models for each reporting period to determine whether the business models have changed since the preceding period. 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.

When a debt instrument measured at FVTOCI 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 FVTOCI 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 FVTOCI are subject to impairment.

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

Financial assets (continued)

Impairment

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

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:

- 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 FVTOCI, the loss allowance is recognised in the OCI.

The Group has elected to measure loss allowances for cash and bank balances and other financial assets at an amount equal to 12-month ECL and for trade and other receivables at an amount equal to lifetime ECLs.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default.
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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.

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

Financial assets (continued)

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 FVTOCI 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. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings and Sukuk certificates are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs, as well as any interest payable while the liability is outstanding. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.
- 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. Trade payables, accruals and other liabilities are recognised for amounts to be paid in the future for goods or services received as at the reporting date, whether billed by the supplier or not.

4. Significant accounting policies (continued)

4.7 Financial instruments (continued)

Financial liabilities (continued)

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

a) the rights to receive the cash flows from the asset have expired; or

b) the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

c) either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss. If the modification is not substantial, the difference between the carrying amount of the liability before the modification; and the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss.

4. Significant accounting policies (continued)

4.8 Advances from customers

Advances from customers includes instalments received from buyers for properties sold or services performed and from tenants for lease of a property prior to meeting the revenue recognition criteria. These are subsequently released to the consolidated statement of profit or loss once the revenue recognition criteria are met or settle upon termination of contract by the Group.

4.9 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 is determined with reference to the costs incurred on the property sold to the extent of work completed.

4.10 Property and equipment

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

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

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

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

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

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

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

4. Significant accounting policies (continued)

4.11 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 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 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.

4.12 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.

4. Significant accounting policies (continued)

4.12 Impairment of tangible assets (continued)

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, 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, 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.

4.13 Leases

The Group as Lessee

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

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

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

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

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

4. Significant accounting policies (continued)

4.13 Leases (continued)

The Group as Lessee (continued)

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

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged.

In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

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

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

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

The Group as Lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

4. Significant accounting policies (continued)

4.13 Leases (continued)

The Group as Lessor (continued)

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

4.14 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.

4.15 Statutory reserve

In accordance with the Articles of Association of certain subsidiaries of the Group, 10% of the profit for the year is transferred to a statutory reserve for each entity. Such transfers are required to be made until the reserve equals 50% of the share capital in each of the subsidiaries. This reserve is not available for distribution, except in circumstances stipulated in the Commercial Companies laws applicable to each entity.

4.16 Provisions

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

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

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

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

4. Significant accounting policies (continued)

4.16 Provisions (continued)

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group for a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4.17 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. With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

4.18 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 consolidated 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.

4.19 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 five-step model that will apply to revenue arising from contracts with customers.

4. Significant accounting policies (continued)

4.19 Revenue recognition (continued)

Revenue from contracts with customers (continued)

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.

Sales of development properties

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.

The Group has elected to apply the input method. 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. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

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/trade receivables 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/advance from customers. The Group's obligation of refund liability upon termination of contract with customers are governed by the contract and the regulations prevailing in the respective jurisdictions.

4. Significant accounting policies (continued)

4.19 Revenue recognition (continued)

Sales of development properties (continued)

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.

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.

Income on termination of sale contracts

The Group proceeds to terminate contracts and recognise income from termination of properties in the consolidated statement of profit or loss as per the Real Estate Regulatory Agency (RERA) guidelines and with the necessary approvals from RERA / Dubai Land Department.

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 charged to statement of profit or loss.

4.20 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and the Group's presentation currency.

Up to 2020, the Group's consolidated financial statements were presented in US Dollar (USD). In 2021 the management has decided to change the presentation currency to UAE Dirham (AED). The Group believes that this will provide users of the consolidated financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's financial performance and financial position. The change has been applied retrospectively in line with IAS 8 *"Accounting Policies, Changes in accounting Estimates and Errors"*. Since the UAE Dirham (AED) is pegged to US Dollar (USD) therefore there is no impact of this change in the presentation currency.

4. Significant accounting policies (continued)

4.20 Foreign currencies (continued)

(b) Functional and presentation currency (continued)

For presentation purposes only, additional columns for US Dollar (USD) equivalent amounts have been presented in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows using a fixed conversion rate of USD 1.00 = AED 3.675.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Group entities

The results and financial position of all the Group entities (other than subsidiary in hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
(ii) Income and expenses for each statement of profit or loss are translated at average exchange rates; and
(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to equity. On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to statement of profit or loss.

4.21 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 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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

4. Significant accounting policies (continued)

4.22 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 of Parent Company are the chief operating decision makers of the Group. An operating segment's operating results are reviewed regularly by the Board of Directors of Parent Company 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 of Parent Company include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4.24 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4.25 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the year in which they are incurred.

4.26 Subsidiary in hyperinflationary economy

The results and financial position of the group entity whose functional currency are the currency of hyperinflationary economy are adjusted in terms of the measuring unit at the end of the reporting year following the historic cost approach.

4. Significant accounting policies (continued)

4.26 Subsidiary in hyperinflationary economy (continued)

However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted are recognised directly in equity as foreign currency translation reserve.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the consolidated statement of profit or loss are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year of the application and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year. Results, cash flows and the financial position of the group's subsidiary which have been classified as hyperinflationary have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 37.

The International Practices Task Force (IPTF) of the Center of Audit Quality (CAQ) in its discussion document dated 10 November 2020 meeting stated Republic of Lebanon (“Lebanon”) as one of the countries with three-year cumulative inflation rates exceeding 100%. In addition, applying the October 2020 International Monetary Fund (IMF) information and the indicators laid out in IAS 29 *Financial Reporting in Hyperinflationary Economies*, the Lebanese economy was considered as hyperinflationary during 2020. Accordingly, the consolidated financial statements for the year ended 31 December 2022 includes six months results of a subsidiary having hyperinflationary functional currency which effective from 01 July 2022, was disposed off to a related party under the common control transaction. For further details, refer to note 37.

4.27 Events after reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

4.28 Dividend distribution and income

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the Company’s shareholders.

Dividend income is recognised when the right to receive the dividend is established.

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

In the application of the Group's accounting policies, which are described in Note 4, 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 2, IAS 16 and IAS 40, and in particular, the intended usage of property as determined by the management.

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.

5. 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.

Recognising income from Collections on Cancelled Apartments (COCA)

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

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in respect of its subsidiary in Lebanon. Various characteristics of the economic environment of Lebanon are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- prices are linked to a price index; and
- the cumulative inflation rate over three years exceeds 100%.

Lebanese Pound exchange rate

The economic and political situation in Lebanon, and the difficulty in accessing foreign currencies led to the emergence of a parallel market to the official pegged whereby the price to access foreign currencies increased, deviating significantly from the official pegged rate of 1507.5 LBP/USD. This has resulted in an uncontrolled rise in prices driving high inflation and rise in the consumer price index.

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

Critical judgments in applying accounting policies (continued)

Lebanese Pound exchange rate (continued)

Several exchange rates have emerged that vary significantly among each other and from the official exchange rate. In the absence of any formal communication related to the change in official pegged rate of 1,507.5 LBP/USD from the Central Bank of Lebanon, the management has elected to use publicly available price mechanism which are recognized by the Central Bank of Lebanon. At 30 June 2022, 1 USD = LBP 25,200 (31 December 2021: 1 USD = LBP 22,700) is considered for conversion of the financial statements of Damac Properties Lebanon SAL to include them in the consolidated financial statements of the Group for the year ended 31 December 2022.

On 1 July 2022, the subsidiary having LBP as its functional currency, was disposed off to a related party under the common control transaction. For further details, refer to note 37.

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.

Net realisable value of development properties

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

The valuation method used for ‘properties under development’ was the residual valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. This method entails estimating the gross realization 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.

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

Key sources of estimation uncertainty (continued)

Net realisable value of development properties

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 12% to 20% (2021: 10% to 21%) 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.

Based on the above, the Group reviewed the carrying value of development properties and reversed provision for impairment by AED 694 million (2021: AED 380 million) to the consolidated statement of profit or loss for the year ended 31 December 2022.

6. Segment analysis

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

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

	2022 **AED’000**	2021 AED’000
Revenue		
Domestic	**2,920,081**	2,797,559
International	**80,392**	169,573
	3,000,473	2,967,132

All revenue disclosed above is generated from external customers for current and prior year.

6. Segment analysis (continued)

	2022 AED'000	2021 AED'000
Development properties		
Domestic	**7,535,172**	7,272,032
International	-	1,313,201
	7,535,172	8,585,233
Financial investments		
Domestic	-	306,147
International	-	2,300,022
	-	2,606,169

7. Cash and bank balances

	2022 AED'000	2021 AED'000
Cash on hand	**2,042**	563
Cash held in escrow	**6,090,751**	1,928,859
Bank balances	**182,491**	882,313
Fixed deposits	**1,894,782**	1,308,610
Cash and bank balances	**8,170,066**	4,120,345
Fixed deposits with an original maturity of greater than three months	**(805,276)**	(457,330)
Cash and cash equivalents	**7,364,790**	3,663,015
Derecognised on disposal of subsidiaries (note 38)	**556,118**	**-**

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

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

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

7. Cash and bank balances (continued)

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 the year ended 31 December 2022, majority of the fixed deposits earned interest at rates ranging from 0.6% to 5.2% (2021: 0.3% to 1.0%) per annum.

As at 31 December 2022, fixed deposits and bank balances of AED 522 million (2021: AED 592 million) are held by banks under lien against credit facilities issued to the Group.

As at 31 December 2022, an amount of AED 729 million (2021: AED 1,309 million) is held with Islamic banks and the remaining balance is held with conventional banks.

8. Financial investments

As at the reporting date, the balances of financial investments carried at FVTPL and FVTOCI:

	2022 **AED'000**	2021 AED'000
Financial investments at FVTOCI [8 (a)]	-	1,147,408
Financial investments at FVTPL [8 (b)]	-	1,458,761
Closing balance	-	2,606,169

a) Financial investments at FVTOCI

	2022 **AED'000**	2021 AED'000
Opening balance	**1,147,408**	270,457
Additions (i)	**55,343**	659,039
Disposals	**(921,008)**	-
Change in fair value (i) & (ii)	**(281,743)**	447,232
Derecognition/reclassified to investment in associates (ii)	-	(229,320)
Closing balance	-	1,147,408

i. During the year ended 31 December 2022, Group acquired quoted equity instrument designated at FVTOCI amounting to AED 55 million (2021: AED 659 million). During the year ended 31 December 2022, Group has recognised a fair value loss amounting to AED 282 million (31 December 2021: fair value gain of AED 488 million). Further, during the year ended 31 December 2022, an amount of AED 206 million has been reclassified from fair value reserve to retained earnings upon disposals.

ii. In the prior year ended 31 December 2021, Group acquired additional 25% equity interest in Damac International Limited ("DIL") which resulted in an overall equity interest of the Group in DIL to 45%, which resulted in reclassification from financial investment at FVTOCI to Investment in Associates amounting to AED 229 million and recognised a fair value loss of AED 41 million based on the valuation carried out by the independent valuer. Further, an accumulated loss of AED 85 million has been reclassified from investment at FVTOCI to retained earnings.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

8. Financial investments (continued)

b) Financial investments at FVTPL

	2022 AED'000	2021 AED'000
Opening balance	**1,458,761**	492,455
Additions	**199,241**	2,738,186
Disposals (i)	**(1,022,642)**	(1,543,893)
(Loss)/gain on disposal (i)	**(130,405)**	201,493
Change in fair value through profit or loss (ii)	**-**	(429,480)
Disposed off to a related party (note 39)	**(504,955)**	-
Closing balance	-	1,458,761

i. During the year ended 31 December 2022, the Group recognised a loss of AED 130 million (31 December 2021: gain of AED 201 million) in the consolidated statement of profit or loss upon disposal of equity investments.

ii. During the year ended 31 December 2022, the Group has fair valued the quoted equity investments based on published market prices and recognised a fair value loss of AED Nil (31 December 2021: AED 429 million) in the consolidated statement of profit or loss.

Financial investments at fair value through profit or loss and other comprehensive income are denominated in the following currencies:

	2022 AED'000	2021 AED'000
USD	-	2,067,967
EURO	-	321,637
AED	-	216,565
	-	2,606,169

9. Trade and other receivables

	2022 AED'000	2021 AED'000
Unbilled receivables *(i)*	**1,866,307**	2,947,419
Trade receivables *(ii)*	**774,355**	1,535,090
Provision for impairment on trade receivables *(iii)*	**(131,034)**	(242,463)
	2,509,628	4,240,046
Advances and deposits	**660,379**	458,081
Other receivables, prepayments and other assets	**1,941,489**	611,610
	5,111,496	5,309,737
Derecognised on disposal of subsidiaries (note 38)	**829,289**	-

9. Trade and other receivables (continued)

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

Movement in unbilled receivables during the year is as follows:

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	**2,947,419**	3,526,654
Increase due to project progress	**1,192,410**	1,845,258
Transfer to trade receivables	**(2,095,950)**	(2,424,493)
Derecognised on disposal of subsidiaries (note 38)	**(177,572)**	-
Balance at the end of the year	**1,866,307**	2,947,419

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

(iii) Movement in loss allowance on trade receivables is as follows:

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	**(242,463)**	(215,215)
Reversal/(provision) for loss allowance during the year	**67,329**	(27,248)
Derecognised on disposal of subsidiaries (note 38)	**44,100**	-
Balance at the end of the year	**(131,034)**	(242,463)

The Group has assessed and provided for doubtful trade receivables at the year ended 31 December 2022. 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 expected credit loss allowance at each reporting date that represents its estimate of expected credit losses in respect of trade, unbilled and other receivables. 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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

9. Trade and other receivables (continued)

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 2022	**1,866,307**	**13,111**	**36,587**	**55,309**	**538,314**	**2,509,628**
31 December 2021	2,947,419	156,366	61,645	64,012	1,010,604	4,240,046

Ageing of impaired trade receivables is as follows:

	1 – 60 days AED'000	61 – 120 days AED'000	121 – 180 days AED'000	Above 180 days AED'000	Total AED'000
31 December 2022	**-**	**-**	**350**	**130,684**	**131,034**
31 December 2021	2,348	3,780	6,121	230,214	242,463

10. Development properties

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

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	**8,585,233**	8,249,609
Additions	**1,516,152**	2,184,729
Recognised as part of business combination (note 16)	**2,183,487**	-
Transfer from investment properties – net (note 15)	**115,585**	-
Transfer to cost of sales	**(1,873,545)**	(2,149,330)
Transfer to property and equipment (note 14)	-	(79,533)
Reversal for impairment – net	**694,208**	379,758
Disposed off to a related party (note 39)	**(470,777)**	-
Foreign currency translation differences	**(145,507)**	-
Derecognised on disposal of subsidiaries (note 38)	**(3,069,664)**	-
Balance at the end of the year	**7,535,172**	8,585,233

10. Development properties (continued)

During 2022, Group entered into a Sale and Purchase Agreement ("SPA") dated 26 December 2022 with a third party for the purchase of land plot amounting to AED 623 million. As of the reporting date, the Group has a remaining commitment of AED 613 million (31 December 2021: AED Nil) relating to this SPA.

Additions during the year ended 31 December 2022, includes an addition through acquisition of a subsidiary amounting to AED 2,183 million and same was disposed of under common control transactions as part of a Group reorganisation (31 December 2021: AED Nil) (Note 38).

During the prior year 2021, Group entered into a Sale and Purchase Agreement ("SPA") dated 21 September 2021 with a third party for the purchase of certain land parcels (the "Parcel") amounting to AED 1,500 million. As of the reporting date, the Group has a remaining commitment of AED 342 million (31 December 2021: AED 1,022 million) relating to this SPA and will be recorded as and when the payment is made, and each Parcel is legally transferred to the Group.

Impairment of development properties

At 31 December 2022, 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 net releasable value of properties under development using residual value 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 realization 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. This review resulted in a net reversal of impairment amounting to AED 694 million mainly on projects launched during the year due to improved market conditions (31 December 2021: AED 380 million).

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

Assets held as development properties

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

	2022	2021
	AED'000	AED'000
Land held for future development	**221,950**	2,626,196
Properties under development	**6,006,486**	4,139,669
Completed properties	**1,306,736**	1,819,368
	7,535,172	8,585,233

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 2022 is AED Nil (2021: AED 1,313 million).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

11. Investment in associates

The following entities have been included in the consolidated financial statements of the Group using the equity method:

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at		Investments in associate held as at 31 December	
		2022	**2021**	**2022**	2021
				AED'000	AED'000
Nine Elms S.H Co Ltd	Jersey/United Kingdom	-	25%	-	335,469
Damac International Limited ("DIL")	Cayman Island	-	45%	-	568,457
				-	903,926

During the year ended 31 December 2022, pursuant to the share purchase agreement dated 16 March 2022, the Group entered into a share purchase agreement with DICO International Ventures Company Limited (a related entity) to acquire an additional 23% shareholding in DIL for a consideration of AED 290 million which resulted in an overall equity interest of the Group in DIL to 68%. Accordingly, the Group obtained control over DIL. The fair value of identified net assets of DIL as at the date of acquisition amounted to AED 1,574 million. The transaction represented a business combination under IFRS 3 *'Business Combination'* and had been accounted for using the acquisition method of accounting. Accordingly, the consideration paid had been allocated based on the fair values of the assets acquired and liabilities assumed.

On 16 March 2022, the 25% equity interest of Nine Elms S.H Co. Ltd, Jersey ("NESH") was representative of 25% equity interest in Nine Elms Property Ltd, Jersey ("NEPL"). The remaining 75% equity interest in NEPL was held by DIL. As a result of the Group acquiring an additional 23% equity interest in DIL, the Group's effective equity interest in NESH was 76% and accordingly, the Group had obtained control over NESH.

During the year, the investment in associates was reclassified as investment in subsidiary and within the current year, disposed off to a related party under a common control transaction (note 38). The Group recorded a share of net loss of associates amounting to AED 13 million (31 December 2021: net gain of AED 95 million).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

11. Investment in associates (continued)

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

As at 31 December	**2022 AED'000**	2021 AED'000
Current assets	-	159,396
Non-current assets	-	2,216,299
Total assets	-	2,375,695
Current liabilities	-	1,163,780
Non-current liabilities	-	7,369
Total liabilities	-	1,171,149
Net assets	-	1,204,546
Group's share of net assets	-	301,137

	Post-acquisition period till 15 March 2022 AED'000	2021 AED'000
Revenue	-	-
Net (loss)/profit	**(2,127)**	169,874
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(2,127)**	169,874
Group's share of (loss)/profit	**(532)**	42,469

11. Investment in associates (continued)

The following table summarises the financial information of Damac International Limited**:**

As at 31 December	**2022 AED'000**	2021 AED'000
Current assets	-	477,607
Non-current assets	-	2,397,792
Total assets	-	2,875,399
Current liabilities	-	1,183,015
Non-current liabilities	-	92,773
Total liabilities	-	1,275,788
Net assets	-	1,599,611
Group's share of net assets	-	719,825

	Post-acquisition period till 15 March 2022 AED'000	2021 AED'000
Revenue	-	-
Net (loss)/profit	**(28,193)**	116,639
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(28,193)**	116,639
Group's share of (loss)/profit	**(12,687)**	52,487

12. Other financial assets

	2022 AED'000	2021 AED'000
Escrow retention accounts	**421,476**	424,594
Margin deposits	**23,119**	14,445
Other	**2,333**	2,933
	446,928	441,972
Derecognised on disposal of subsidiaries (note 38)	**34,908**	-

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 2022, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit or interest at relevant commercial rates.

As at the year ended 31 December 2022, out of the total escrow retention accounts, an amount of AED 100 million (2021: AED 175 million) is held with Islamic banks and the remaining balance is held with conventional banks.

13. Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are as follows

	Total AED'000
Cost:	
At 1 January 2021 and 31 December 2021	125,278
Recognised as part of business combination (note 16)	77,379
Derecognised on disposal of subsidiaries (note 38)	(77,379)
At 31 December 2022	**125,278**

13. Right-of-use assets and lease liabilities (continued)

	Total AED'000
Accumulated amortisation:	
At 1 January 2021	65,641
Charge for the year	2,738
At 31 December 2021	68,379
Charge for the year	3,077
Recognised as part of business combination (note 16)	9,372
Derecognised on disposal of subsidiaries (note 38)	(9,724)
At 31 December 2022	**71,104**
Carrying value:	
At 31 December 2022	**54,174**
At 31 December 2021	56,899

Amount of lease liabilities outstanding as at year end:

	2022 AED'000	2021 AED'000
Opening balance	**65,117**	65,314
Recognised as part of business combination (note 16)	**93,858**	-
Interest expense for the year (note 28)	**6,401**	6,425
Lease payment during the year	**(6,622)**	(6,622)
Derecognised on disposal of subsidiaries (note 38)	**(93,763)**	-
Closing balance	**64,991**	65,117

Net present value of lease liabilities:

	2022 AED'000	2021 AED'000
Within one year	**4,178**	4,596
Between two to five years	**14,187**	15,226
After 5 years	**25,963**	29,102

The Group has recognised the lease payments associated with those short-term leases as an expense on a straight-line basis over the period of lease term. The amount of short-term leases charged to the consolidated statement of profit or loss during the year is AED 5 million (2021: AED 6 million).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

14. Property and equipment

	Buildings AED'000	Furniture and fixtures AED'000	Tools and office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost:						
At 1 January 2021	92,059	81,978	124,157	8,291	-	306,485
Additions	3,613	5,556	12,889	2,805	-	24,863
Transfer from development properties (note 10)	79,533	-	-	-	-	79,533
Write off	(6,439)	(5,918)	(7,703)	(897)	-	(20,957)
At 31 December 2021	168,766	81,616	129,343	10,199	-	389,924
Additions	7,868	2,861	10,452	50	6,915	28,146
Recognised as part of business combination (note 16)	-	1,480	6,803	-	132,982	141,265
Derecognised on disposal of subsidiaries (note 38)	(6,957)	(13,474)	(14,551)	-	(139,897)	(174,879)
Write off and disposals	(9,207)	(11,693)	(16,354)	(32)	-	(37,286)
At 31 December 2022	**160,470**	**60,790**	**115,693**	**10,217**	**-**	**347,170**
Accumulated depreciation and impairment:						
At 1 January 2021	74,359	64,685	98,620	4,923	-	242,587
Charge for the year	20,431	2,791	7,541	1,422	-	32,185
Write off	(32)	(5,918)	(7,703)	(897)	-	(14,550)
At 31 December 2021	94,758	61,558	98,458	5,448	-	260,222
Charge for the year	7,373	4,497	7,301	1,249	-	20,420
Recognised as part of business combination (note 16)	-	1,480	6,766	-	-	8,246
Derecognised on disposal of subsidiaries (note 38)	(1,160)	(12,966)	(13,074)	-	-	(27,200)
Write off and disposals	(9,207)	(8,778)	(7,971)	-	-	(25,956)
At 31 December 2022	**91,764**	**45,791**	**91,480**	**6,697**	**-**	**235,732**
Carrying value:						
At 31 December 2022	**68,706**	**14,999**	**24,213**	**3,520**	**-**	**111,438**
At 31 December 2021	74,008	20,058	30,885	4,751	-	129,702

15. 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:

	2022 **AED'000**	2021 AED'000
Cost:		
Balance at the beginning of the year	**203,114**	203,114
Additions during the year	**132,972**	-
Transfer to development properties (note 10)	**(148,822)**	-
Disposed off to a related party (note 39)	**(109,200)**	-
Balance at the end of the year	**78,064**	203,114
Accumulated depreciation:		
At 1 January	**(38,592)**	(30,467)
Charge for the year	**(9,643)**	(8,125)
Transfer to development properties (note 10)	**33,237**	-
Balance at the end of the year	**(14,998)**	(38,592)
Net carrying value	**63,066**	164,522

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% (2021: 8%) and vacancy rate of 21% (2021: 13%). The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and U.A.E. Laws and Regulations and is reflective of the economic conditions prevailing as at the year ended 31 December 2022 and 2021.

At 31 December 2022, the fair value of the completed investment properties and related land was AED 75 million (2021: AED 188 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 48 million (2021: AED 41 million) has been recognised in the consolidated statement of profit or loss in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment properties amounted to AED 8 million (2021: AED 4 million). As at 31 December 2022 and 2021, there were no restrictions on the realization of investment properties or the remittance of income and proceeds of disposal.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

16. Non-controlling interests

During the year ended 31 December 2022, pursuant to the share purchase agreement dated 16 March 2022, the Group entered into a share purchase agreement with DICO International Ventures Company Limited (a related entity) to acquire an additional 23% shareholding in DIL for a consideration of AED 290 million which resulted in an overall equity interest of the Group in DIL to 68%. Accordingly, the Group has obtained control over DIL. The fair value of identified net assets of DIL as at the date of acquisition amounted to AED 1,574 million. The transaction represents a business combination under IFRS 3 *'Business Combination'* and had been accounted for using the acquisition method of accounting. Accordingly, the consideration paid had been allocated based on the fair values of the assets acquired and liabilities assumed.

Details of the purchase consideration and the net assets acquired are as follows:

	16 March 2022 AED'000
Purchase consideration:	
Consideration paid	290,325
Fair value of previously held equity interest	871,773
Attributable to non-controlling interests	411,487
	1,573,585

	16 March 2022 AED'000
Assets	
Cash and bank balances	342,214
Development properties	2,183,487
Property and equipment	133,019
Right-of-use assets	68,007
Trade and other receivables	131,705
Liabilities	
Borrowings	(704,728)
Advance from customers	(389,639)
Lease liabilities	(93,858)
Trade and other payables	(96,622)
Total identifiable assets acquired and liabilities assumed	**1,573,585**

a) Net cash outflow/(inflow) arising on acquisition:

	16 March 2022 AED'000
Cash consideration	290,325
Less: cash and cash equivalent balances acquired	(342,214)
Net cash inflow arising on acquisition	**(51,889)**

16. Non-controlling interests (continued)

As part of Group reorganisation, DIL was disposed of under common control transaction effective from 1 July 2022 (note 38) and corresponding non-controlling interests was derecognised.

b) Below is the summarised financial information in respect of Group's subsidiaries that has material non-controlling interests before such interests was derecognised as of 01 July 2022. The summarised financial information below represented amounts before intragroup eliminations.

	30 June 2022 AED'000
Revenue	**-**
Expenses	**(4,341)**
Loss for the period	**(4,341)**
Loss attributable to owners of the Company	**(3,224)**
Loss attributable to the non-controlling interests	**(1,117)**
Other comprehensive loss attributable to owners of the Company	**(48,635)**
Other comprehensive loss attributable to the non-controlling interests	**(24,109)**
Other comprehensive loss for the period	**(72,744)**
Total comprehensive loss attributable to owners of the Company	**(51,859)**
Total comprehensive loss attributable to the non-controlling interests	**(25,226)**
Total comprehensive loss for the period	**(77,085)**
Payment to non-controlling interests	**33,543**

Payment to non-controlling interests represented amount paid during the year to non-controlling interests in proportion to their interest in the subsidiary against shareholder's fund until the derecognition of non-controlling interests.

17. Share capital

	2022 AED'000	2021 AED'000
Authorised share capital of 1,500 million shares of USD 1 each	**5,512,500**	5,512,500
Issued, subscribed and fully paid 1,083 million shares of USD 1 each	**3,980,025**	3,980,025

The above share capital has been converted from USD 1 each to AED at the rate of AED 3.675 each.

18. Trade and other payables

	2022 AED'000	2021 AED'000
Trade payables	**1,281,944**	903,112
Accruals	**1,031,558**	871,714
Retentions payable *(i)*	**745,043**	907,203
Other payables *(ii)*	**171,025**	353,516
Provision for employees' end-of-service indemnity *(iii)*	**58,471**	46,717
Provision for taxation	**-**	47,427
	3,288,041	3,129,689
Derecognised on disposal of subsidiaries (note 38)	**222,799**	-

(i) Retentions payable 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.

	2022 AED'000	2021 AED'000
Retentions payable within 12 months	**518,643**	573,945
Retentions payable after 12 months	**226,400**	333,258
	745,043	907,203

(ii) Reconciliation of liabilities arising from financing activities

	1 January 2022 *(a)* AED'000	**Cash flows *(b)* AED'000**	**Other changes *(c)* AED'000**	**31 December 2022 *(a)* AED'000**
Other payables	**41,731**	**(129,212)**	**108,958**	**21,477**

	1 January 2021 *(a)* AED'000	Cash flows *(b)* AED'000	Other changes *(c)* AED'000	31 December 2021 *(a)* AED'000
Other payables	51,394	(204,199)	194,536	41,731

(a) Balance at the beginning and at 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 related to sukuk and borrowings to the consolidated statement of profit or loss during the year.

18. Trade and other payables (continued)

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

	2022 **AED'000**	2021 AED'000
Balance at the beginning of the year	**46,717**	41,452
Charge for the year	**20,075**	12,515
Payments during the year	**(8,321)**	(7,250)
Balance at the end of the year	**58,471**	46,717

19. Advance from customers

Advance from customers are contract liabilities which represent payments received from customers for which revenue has not yet been recognised.

Movement during the year is as follows:

	2022 **AED'000**	2021 AED'000
Balance at the beginning of the year	**3,373,313**	2,075,369
Amounts collected/ advance billing during the year	**8,831,950**	4,306,467
Recognised as part of business combination (note 16)	**389,639**	-
Revenue recognised during the year	**(2,915,810)**	(2,867,859)
Other operating income recognised during the year	**(1,253,807)**	(140,664)
Foreign currency translation differences	**(26,139)**	-
Derecognised on disposal of subsidiaries (note 38)	**(742,282)**	-
Balance at the end of the year	**7,656,864**	3,373,313

Revenue recognised during the year, as stated above, is significantly recognised from the balance at the beginning of the year.

20. Bank borrowings

	2022 **AED'000**	2021 AED'000
Bank facilities	-	124,834

(a) The Group has unsecured interest-bearing term loan facility amounting to AED 367 million with a - commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum. The outstanding balance as of 31 December 2021 amounting to AED 125 million has been fully repaid during the year.

(b) Group had arranged for a bank overdraft facility amounting to AED 522 million (31 December 2021: AED 322 million). This facility remained unutilised as at the reporting date.

(c) As at 31 December 2022, the Group had arranged for bank facilities amounting to AED 2,225 million (31 December 2021: AED 1,217 million) in the form of letters of credit and guarantees out of which AED 881 million (31 December 2021: AED 136 million) remained unutilised as at the reporting date.

20. Bank borrowings (continued)

(d) During the year, bank borrowing of AED 705 million pertains to acquisition of a subsidiary (31 December 2021: AED Nil). Prior to acquisition, the subsidiary entered into a senior term loan facility on 8 March 2019 with a consortium of bankers amounting to AED 844 million (GBP 175 million) bearing interest at 3 months SONIA plus 3.2% per annum. The loan was secured at full fixed and floating security over all assets of the subsidiary. The said subsidiary was subsequently disposed off to a related party under the common control transaction on 01 July 2022. On the disposal date, this loan has decreased to AED 669 million because of foreign currency translation differences amounting to AED 49 million and additional drawdown amounting to AED 13 million.

(e) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 362 million (2021: AED 370 million), corporate guarantees of the Group, pledges over bank accounts and deposits aggregating to AED 304 million (2021: AED 213 million).

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

	2022 **AED'000**	2021 AED'000
Within one year	**-**	124,834

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

	AED'000
1 January 2021and 31 December 2021	124,834
Recognised as part of business combination	704,728
Drawn down	13,156
Repayments	(124,834)
Foreign currency translation differences	(48,522)
Derecognised on disposal of subsidiaries (note 38)	(669,362)
31 December 2022	**-**

21. Sukuk certificates

	2022 **AED'000**	2021 AED'000
Sukuk certificates	**1,218,290**	2,542,136
Unamortised issue costs	**(752)**	(3,703)
Carrying amount	**1,217,538**	2,538,433

21. Sukuk certificates (continued)

Movement in unamortised issue costs is as follows:

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	**3,703**	8,739
Amortised during the year	**(2,951)**	(5,036)
Balance at the end of the year	**752**	3,703

- On 20 April 2017, the Group issued US$ 500 million (AED 1,838 million) Sukuk Trust Certificates (the "Certificates"). Alpha Star Holding III Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates were listed on the Irish Stock Exchange and NASDAQ Dubai. On 18 April 2022, the Group has fully settled the Sukuk certificates amounting to AED 1,252 million.

  The Certificate holders were paid returns at the rate of 6.25% per annum.

  During the year ended 31 December 2022, the Group repurchased all the sukuk certificates carrying face value of US$ 4 million, [AED 14 million] (31 December 2021: US$ 124 million, [AED 454 million]) at a premium.

- On 18 April 2018, the Group issued US$ 400 million, AED 1,470 million Sukuk Trust Certificates (the "Certificates") maturing on 18 April 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 "Certificate-holders") 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 Certificate-holders pro rata according to the face amount of Certificates held by each Certificate-holder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

  The Certificate-holders are paid returns at the rate of 6.625% per annum. At the reporting date, the fair value of the sukuk is amounting to AED 1,216 million (2021: AED 1,274 million).

  During the year ended 31 December 2022, the Group repurchased sukuk certificates with a face value of US$ 16 million [AED 58 million] (2021: US$ 23 million, [AED 83 million]) at a premium.

The repayment profile of sukuk certificates is as follows:

	2022 AED'000	2021 AED'000
Amount due for settlement within 12 months	**1,218,290**	1,265,648
Amount due for settlement after 12 months	**-**	1,276,488
	1,218,290	2,542,136

21. Sukuk certificates (continued)

Reconciliation of liabilities arising from financing activities:

	AED'000
1 January 2021	3,078,663
Repurchase (i)	(536,527)
31 December 2021	**2,542,136**
Redemption and repurchase (i)	**(1,323,846)**
31 December 2022	**1,218,290**

(i) The cash flows from sukuk certificates represent repurchase and redemption of sukuk certificates outstanding balance of AED 1,324 million (2021: AED 537 million) against the cash payment of AED 1,325 million (2021: AED 544 million) at premium in the consolidated statement of cash flows.

22. 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:

	2022 AED'000	2021 AED'000
Entities under the control of the Ultimate Shareholder:		
Disposal of subsidiaries (note 38)	**3,172,271**	-
Disposal of assets (note 39)	**1,084,932**	-
Financial Investments *(i)*	**317,535**	-
Investment in Damac International Limited *(ii)* (note 16)	**290,325**	286,500
Payments on behalf of subsidiaries	**51,147**	-
Payment to non-controlling interests *(iii)* (note 16)	**33,543**	-
Support services fees *(iv)* (note 26)	**74,142**	4,836
Royalty fee *(v)*	**110,740**	-
Loss on fair valuation of financial investment [note 8(a)]	**-**	41,137

(i) Financial investments acquired on behalf of a related party

During the year, the Group had acquired financial investments on behalf of a related party.

22. Related party transactions (continued)

(ii) Acquisition of additional stake in DIL:

During the year ended 31 December 2022, pursuant to the share purchase agreement dated 16 March 2022, the Group entered into a share purchase agreement with DICO International Ventures Company Limited to acquire an additional 23% shareholding in DIL for a consideration of AED 290 million which is fully paid and resulted in an overall equity interest in DIL to 68% thereby obtaining control in the subsidiary.

On 4 March 2021, the Group acquired 25% equity interest of Damac International Limited, a Company registered in Cayman Island, by way of share transfer. The cost of the acquisition amounted to AED 287 million determined based on the valuation carried out by an independent valuer of the Company as at purchase date. The consideration was paid in full and there are no amounts outstanding as at 31 December 2022.

(iii) Payment to non-controlling interests

Payment to non-controlling interests represents amount paid during the year to non-controlling interests in proportion to their interest in the subsidiary against shareholder's fund.

(iv) Support services and royalty fees

During the year ended 31 December 2022, the Group billed amount of AED 74 million (2021: AED 5 million) towards support services and royalty fees rendered to related entities under the control of Ultimate Shareholder.

(v) Royalty fees

During the year ended 31 December 2022, the Group paid AED 111 million (2021: AED Nil) towards royalty and design consultancy fees to related entities under the control of Ultimate Shareholder.

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*.

	2022 **AED'000**	2021 AED'000
Salaries and other short-term benefits	**231,976**	5,565
Other long term benefits	**171**	234
	232,147	5,799

Due from related parties

	2022 **AED'000**	2021 AED'000
Due from related parties	**76,590**	-

23. Revenue

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

	2022 AED'000	2021 AED'000
Over time	**2,389,301**	2,762,980
Point in time	**611,172**	204,152
	3,000,473	2,967,132

	2022 AED'000	2021 AED'000
Sale of development properties	**2,913,383**	2,891,536
Leasing revenue	**47,690**	41,017
Other revenue	**39,400**	34,579
	3,000,473	2,967,132

As at 31 December 2022, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied performance obligations is AED 25,678 million (2021: AED 8,384 million). The Group will recognise this as revenue as and when the performance obligation is satisfied on the ongoing projects, which is expected to occur over the next 1 to 4 years.

24. Other operating income - net

	2022 AED'000	2021 AED'000
Income from cancellation of units - net	**1,241,569**	137,188

25. General, administrative and selling expenses

	2022 AED'000	2021 AED'000
Staff costs	**708,134**	367,880
Selling and marketing expenses	**617,074**	598,717
Repairs and maintenance	**214,137**	228,273
Rent and license fees	**28,451**	37,834
Legal and professional	**91,384**	57,623
Travel and communication	**37,402**	16,374
Bank charges	**34,641**	21,821
Insurance	**12,706**	8,729
Social contributions	**11,700**	1,500
Other	**86,532**	30,749
	1,842,161	1,369,500

26. Other income – net

	2022	2021
	AED'000	AED'000
Property management fees	**46,647**	44,623
Support services fees (note 22)	**74,142**	4,836
Dividend income	**23,765**	52,611
Loss on repurchase of sukuk certificates	**(1,171)**	(7,042)
Other	**131,430**	27,512
	274,813	122,540

27. Finance income

	2022	2021
	AED'000	AED'000
Islamic banks and financial institutions	**9,092**	3,697
Conventional banks and financial institutions	**82,708**	8,763
	91,800	12,460

28. Finance costs

	2022	2021
	AED'000	AED'000
Islamic banks and financial institutions	**101,057**	183,063
Conventional banks and financial institutions	**1,500**	5,048
Interest on lease liabilities (note 13)	**6,401**	6,425
	108,958	194,536

29. Provision for value added tax ("VAT")

During the year ended 31 December 2022, the Group has provided for non-recoverable VAT amounting to AED 17 million.

In the prior year, the Group submitted voluntary disclosure of VAT liability to Federal Tax Authority ("FTA") and subsequently FTA made an assessment on the voluntary disclosure submitted by the Group, which resulted in an additional VAT liability of AED 55 million. Further, the Group reassessed its position for the output VAT to be charged to certain customers and made a voluntary disclosure of the VAT liability to the FTA of AED 73 million.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

30. Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Opening balance AED'000	Financing cash flows (i) AED'000	Fair value adjustments AED'000	Others (ii) AED'000	Closing balance AED'000
31 December 2022					
Bank borrowings and sukuk	**2,663,267**	**(1,436,695)**	**1,171**	**(10,205)**	**1,217,538**
Lease liabilities	**65,117**	**(6,622)**	**-**	**6,496**	**64,991**
	2,728,384	**(1,443,317)**	**1,171**	**(3,709)**	**1,282,529**
31 December 2021					
Bank borrowings and sukuk	3,194,758	(543,569)	7,042	5,036	2,663,267
Lease liabilities	65,314	(6,622)	-	6,425	65,117
	3,260,072	(550,191)	7,042	11,461	2,728,384

(i) The cash flows from bank borrowings and sukuk make up the net amount of proceeds from bank borrowings and sukuk and repayments of borrowings and sukuk in the consolidated statement of cash flows.

(ii) Others mainly include unamortised issue costs and finance costs incurred.

31. Contingent liabilities

	2022 AED'000	2021 AED'000
Bank guarantees	1,344,079	1,081,402

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 2022.

There were certain claims submitted by the contractors in lieu of various construction projects in the ordinary course of business. Based on the review of opinion provided by the internal legal team, the management has assessed that no material unprovided liabilities will arise as at the year ended 31 December 2022. 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.

32. Commitments

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

	2022 **AED'000**	2021 AED'000
Contracted for	**3,539,995**	1,200,550

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.

33. 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 assets, financial liabilities and equity instruments are disclosed in Note 4 to the consolidated financial statements.

(b) Categories of financial instruments

	2022 **AED'000**	2021 AED'000
Financial assets		
At amortised cost	**11,362,930**	8,876,958
At fair value through other comprehensive Income	-	1,147,408
At fair value through profit or loss	-	1,458,761
	11,362,930	11,483,127
Financial liabilities		
At amortised cost	**4,512,852**	5,763,928

(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.

33. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

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 During the year ended 31 December 2022, financial investments carried at FVTOCI reported in Note 8(a) is classified as Level 1 (As at 31 December 2021: Note 8(a) is classified as Level 1). The financial investments at fair value through profit or loss reported in Note 8(b) is classified as Level 1 (As at 31 December 2021: Note 8(b) is classified as Level 1).

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2022 and 2021.

34. 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, financial assets at fair value through other comprehensive income and fair value through profit or loss. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

A 100-basis point increase or decrease applied on the market price of quoted equity securities disclosed as financial investment at fair value through profit or loss and fair value through other comprehensive would result in a corresponding increase or decrease in the total comprehensive income of the Group by AED Nil (2021: AED 26 million).

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

34. Financial risk management (continued)

(b) Interest rate risk management (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments as at 31 December 2022. 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 loss for the year ended 31 December 2022 would decrease/increase by AED 11 million (2021: AED 8 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

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

	2022	2021
	AED'000	AED'000
GBP	**127**	2,444
EURO	**119**	1,277
LBP	**-**	11,866
Others*	**71**	63
	317	15,650

**Others include CNY, CAD, SGD and INR*

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

(d) Credit risk management

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

The carrying amount of financial assets, excluding financial investments, recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. Refer Note 7 and Note 9 for more details.

34. 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 discounted 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	Over 3 Years AED'000	Total AED'000
31 December 2022:				
Non-interest bearing	**3,003,171**	**226,400**	**-**	**3,229,571**
Fixed interest rate instruments	**1,218,290**	**-**	**64,991**	**1,283,281**
	4,221,461	**226,400**	**64,991**	**4,512,852**
31 December 2021:				
Non-interest bearing	2,702,285	333,258	-	3,035,543
Fixed interest rate instruments	1,265,648	1,276,488	65,118	2,607,254
Variable interest rate instruments	124,834	-	-	124,834
	4,092,767	1,609,746	65,118	5,767,631

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 discounted 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 2022:				
Non-interest bearing	**9,021,219**	**-**	**-**	**9,021,219**
Variable interest rate instruments	**1,376,212**	**785,290**	**180,209**	**2,341,711**
	10,397,431	**785,290**	**180,209**	**11,362,930**
31 December 2021:				
Non-interest bearing	7,126,376	-	-	7,126,376
Variable interest rate instruments	1,546,443	128,940	75,199	1,750,582
	8,672,819	128,940	75,199	8,876,958

35. 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 20 and 21, 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.

36. Income tax expense - Overseas

During the year ended 31 December 2022, as part of Group reorganization, a subsidiary in Kingdom of Saudi Arabia has been disposed under a common control transaction. In 2021, the said subsidiary received Zakat Assessment orders for the years 2015 to 2018 from General Authority of Zakat and Tax (“GAZT”) and raised demand of zakat amounting to AED 48 million. The Group has filed appeal against the decision of GAZT.

37. Hyperinflation

The International Monetary Fund (IMF) publishes inflation forecasts. Applying the October 2020 IMF information and the indicators laid out in IAS 29 *Financial Reporting in Hyperinflationary Economies*, the Lebanese economy is considered a hyperinflationary economy for the purposes of applying IAS 29 and for retranslation of foreign operations in accordance with IAS 21 *The Effect of Changes in Foreign Exchange Rates* in the consolidated financial statements for the year ended 31 December 2022 and 2021.

During the year ended 31 December 2022, as part of Group reorganisation, Damac Properties Lebanon SAL was disposed off under common control transaction. The disposal was effective from 1 July 2022, on which date Damac Properties Lebanon SAL was transferred to a related party. Accordingly, from 1 July 2022 IAS 29 ceases to apply because of disposal of subsidiary. The subsidiary did not have material operations and the total assets of the Lebanon subsidiary were approximately 0.69% of the Group’s total assets as of 30 June 2022 (31 December 2021: 0.84%)

The Group has applied IAS 29 to its subsidiary, Damac Properties Lebanon SAL effective from 1 January 2020 and for financial reporting purposes for the year ended 31 December 2022 and 2021. In line with IAS 29, the financial results of Damac Properties Lebanon SAL have been restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the LBP, on the closing date of the financial statements. The non-monetary items of the statement of financial position as well as the profit or loss statement, statement of other comprehensive income and statement of cash flows of Damac Properties Lebanon SAL, have been adjusted for inflation and re-expressed in accordance with the variation of the consumer price index (‘CPI’), at the presentation date of its financial statements. The re-expression of non-monetary items is made from the date of initial recognition in the statements of financial position and considering that the financial statements are prepared under the historical cost criterion. The consumer price index at the beginning of the reporting period 1 January 2022 was 921.4 (1 January 2021: 284.04) and closed at 30 June 2022 at 1,286.76. The consumer price index used for reporting 1 January 2020 was 118.0, 31 December 2020 was 284.04 and 31 December 2021 at 921.4.

The gain or loss on the net monetary position which has been derived as the difference resulting from the restatement of non-monetary assets, equity and items in the statement of comprehensive income is recognised in the statement of profit or loss. During the year ended 31 December 2022, the resulting gain on net monetary position for Damac Properties Lebanon SAL amounted to AED 91 million (31 December 2021: AED 195 million). The group recognised a foreign exchange loss of AED 24 million (31 December 2021: AED 238 million) in the consolidated statement of profit or loss due to movement in foreign currency exchange rate.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

37. Hyperinflation (continued)

The Group has applied IAS 29 to its subsidiary, Damac Properties Lebanon SAL effective from 1 January 2020 which resulted in opening equity reported in the stable currency is affected by the cumulative effect of restating non-monetary items at the subsidiary level from the date they were first recognised and the effect of translating those balances to the closing rate. This resulted in a difference of AED 66 million between the closing equity of the year ended 31 December 2019 and the opening equity as at 1 January 2020 is recorded under equity against opening reserves which impacted the restated reserves as at 1 January 2021. Further, the consolidated financial statements for the year ended 31 December 2020 have been restated and an impact of AED 393 million have been recorded in the statement of profit and loss which also impacted the restated reserves as at 1 January 2021.

Consolidated statement of financial position

	2021 AED'000 After hyperinflation	2021 AED'000 Before hyperinflation
ASSETS		
Cash and bank balances	**4,120,345**	4,122,766
Financial investments	**2,606,169**	2,606,169
Trade and other receivables	**5,309,737**	5,309,737
Development properties	**8,585,233**	8,434,452
Investment in associates	**903,926**	903,926
Other financial assets	**441,972**	441,972
Right-of-use assets	**56,899**	56,899
Property and equipment	**129,702**	129,702
Investment properties	**164,522**	164,522
Total assets	**22,318,505**	22,170,145
EQUITY AND LIABILITIES		
Equity		
Share capital	**3,980,025**	3,980,025
Statutory reserve	**151,883**	151,883
Fair value reserve	**488,369**	488,369
Foreign currency translation reserve	**(280,031)**	-
Retained earnings	**8,746,873**	8,324,093
Total equity	**13,087,119**	12,944,370
Liabilities		
Trade and other payables	**3,129,689**	3,129,690
Advance from customers	**3,373,313**	3,367,701
Bank borrowings	**124,834**	124,834
Sukuk certificates	**2,538,433**	2,538,433
Lease liabilities	**65,117**	65,117
Total liabilities	**9,231,386**	9,225,775
Total equity and liabilities	**22,318,505**	22,170,145

37. Hyperinflation (continued)

Consolidated statement of profit or loss and other comprehensive income

	2021 AED'000 After hyperinflation	2021 AED'000 Before hyperinflation
Revenue	**2,967,132**	2,974,901
Cost of sales	**(2,160,831)**	(2,162,216)
Gross profit	**806,301**	812,685
Other operating income	**137,188**	137,188
General, administrative and selling expenses	**(1,369,500)**	(1,370,880)
Amortisation of right-of-use assets	**(2,738)**	(2,738)
Depreciation on property & equipment	**(32,185)**	(32,185)
Depreciation on investment properties	**(8,125)**	(8,125)
Reversal for impairment on development properties - net	**379,758**	364,806
Loss allowance charged on trade receivables	**(27,248)**	(22,006)
Gain on sale of financial investments carried at fair value through profit or loss (FVTPL)	**201,493**	201,493
Loss on fair value of financial investments carried at fair value through profit or loss (FVTPL)	**(429,480)**	(429,480)
Exchange loss	**(237,856)**	-
Other income – net	**122,540**	122,554
Finance income	**12,460**	12,462
Finance costs	**(194,536)**	(196,635)
Share of net gain of associates	**94,956**	94,956
Gain on net monetary position	**194,934**	-
Provision for value added tax	**(127,810)**	(127,810)
Loss before tax	**(479,848)**	(443,715)
Income tax expense – overseas	**(48,405)**	(48,405)
Loss for the year	**(528,253)**	(492,120)
Loss per share		
Basic and diluted (AED)	**(0.488)**	(0.454)
Other comprehensive income/(loss):		
Fair value gain on investment in equity instruments designed at fair value through other comprehensive income (FVTOCI)	**447,232**	447,232
Foreign currency differences on translation of financial statements of foreign operations	**(280,031)**	-
Total comprehensive loss for the year	**(361,052)**	(44,888)

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

38. Disposal of subsidiaries

During the year, the Group sold its interest in 70 wholly owned subsidiaries as part of the Group reorganisation under common control transaction with the Ultimate Shareholder at fair value and recorded a gain of AED 42 million which was recognised directly in equity. The assets and liabilities of the disposed subsidiaries at the date of disposal were as follows:

	AED'000
Cash and bank balances (note 7)	556,118
Trade and other receivables (note 9)	962,761
Development properties (note 10)	3,069,664
Other financial assets (note 12)	34,908
Right-of-use assets (note 13)	67,655
Property and equipment (note 14)	147,679
Lease liabilities (note 13)	(93,763)
Non-controlling interests	(352,718)
Trade and other payables (note 18)	(222,799)
Advances from customers (note 19)	(742,282)
Bank borrowings (note 20)	(669,362)
Net assets disposed of	**2,757,861**
Foreign currency translation reserve	372,706
	3,130,567
Total consideration	**3,172,271**
Gain on disposal of subsidiaries to Ultimate Shareholder	**41,704**
Net cash flows arising on disposal:	
Cash and cash equivalents disposed of	**(556,118)**

The consideration for disposal of subsidiaries has been satisfied through due from a related party.

39. Disposal of assets pursuant to group reorganisation

Pursuant to the Group reorganisation, certain assets were disposed off directly to the Ultimate Shareholder or to the Company under the common control of the Ultimate Shareholder:

	1 July 2022 AED'000
Financial investments [note 8 (b)]	504,955
Investment properties (note15)	109,200
Development properties (note 10)	470,777
Total assets	**1,084,932**

The assets are transferred at fair value and the consideration for disposal of assets has been satisfied through due from a related party.

40. Dividends

On 3 August 2022, an interim cash dividend of USD 0.1385 (AED 0.509) per share amounting to USD 150 million (AED 551 million) was approved by the shareholders in the general assembly. The dividend was paid on 17 August 2022.

On 29 September 2022, the Company held a general meeting in which the shareholders approved a dividend equal to USD 1.1656 (AED 4.28) per share amounting to USD 1,262 million (AED 4,640 million). The dividend was settled against due from a related party.

41. Earnings per share

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

	2022	2021
Profit/(loss) attributable to the owners of the Company for the year (AED'000)	**1,404,945**	(528,253)
Weighted average number of ordinary shares ('000)	**1,083,000**	1,083,000
Earnings/(loss) per ordinary share – Basic and diluted (AED)	**1.297**	(0.488)

42. Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

43. Events after the reporting period

On 7 February 2023, the Group issued US$ 200 million (AED 735 million), unlisted Sukuk Trust Certificates (the "Certificates") maturing on 7 May 2025, with an option for Damac Real Estate Development Limited ("DRED") to call it on any date after 7 February 2025. Alpha Star Holding VI Limited ("Alpha Star VI") is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. Under the sukuk documents, Alpha Star VI entered into, among other contracts, a sale and purchase agreement with each of Front Line Investment Management LLC and Damac Crescent Properties LLC both 100% subsidiaries of DRED, as well as an ijara agreement (leasing), an ijara service agency agreement, a sale and substitution undertaking, and a purchase undertaking with Front Line Investment Management LLC. Alpha Star VI also entered into a murabaha agreement with DRED. Holders of the Certificates from time to time (the "Certificate-holders") 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 Certificate-holders pro rata according to the face amount of Certificates held by each Certificate-holder in accordance with the Declaration of Trust and the terms and conditions of the Certificates. The Certificate-holders will be paid returns at the rate of 7.50% per annum.

44. Reclassifications

Certain comparative figures have been reclassified to conform to the presentation adopted in these consolidated financial statements. The reclassification does not have any material effect on the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

45. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 were duly approved by the Director of the Company and authorised for issue on 15 March 2023.