Damac Properties Dubai Co. P.J.S.C.
Dubai – United Arab Emirates

Reports and consolidated financial statements
for the year ended 31 December 2021

Damac Properties Dubai Co. P.J.S.C.

Consolidated Financial Statements
For the year ended 31 December 2021

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Directors' Report

The Board of Directors has the pleasure in submitting their report together with the consolidated financial statements of DAMAC Properties Dubai Co. P.J.S.C. (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2021.

Revenue for the year stood at AED 2,967 million (2020: AED 4,678 million) and net loss for the year was AED 531 million (2020: AED 646 million). As at 31 December 2021, total assets were at AED 22,319 million (2020: AED 21,602 million) and shareholder's equity stood at AED 13,085 million (2020: AED 13,449 million), total shares issued remained unchanged at 6,050 million shares.

The uncertainty caused by Covid-19 and new variants continued to have ripple effects on the property market, which has subsequently impacted overall margins. We continue to focus on liquidity and cash management which resulted in gross debt reduction during the year by AED 531million and supported new land acquisitions to build future project pipeline.

Gross debt stood at AED 2,663 million with cash and bank balance at AED 4,121 million. Cash generated from operations during the year was AED 2,636 million.

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

Consolidated financial statements discloses significant related party transactions in note 21 of the consolidated financial statements. All these transactions have been carried out in normal course of business and in compliance with applicable laws and regulations. To the best of our knowledge, the financial information included in the report fairly presents in all material aspects the financial condition, results of operation and cash flows of the Group as of 31 December 2021.

On behalf of the Board of Directors

Chairman

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Damac Properties Dubai Co. P.J.S.C.
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Damac Properties Dubai Co. P.J.S.C.** (the "Company") **and its subsidiaries** (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 shareholders of Damac Properties Dubai Co. P.J.S.C. (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of properties held for development and sale	
The Group holds properties for development and sales of AED 8,585 million, which comprise completed residential and commercial properties (AED 1,819 million), land held for mixed-use development and sale (AED 2,626 million) and properties under construction (AED 4,140 million). 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 valauation 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 had not been considered for an assessment of the recoverable amount by management. *Experience of Valuer and relevance of their work* We confirmed that the approach used in the external valuation were consistent with the requirements of the Royal Institute of Chartered Surveyors. We assessed the Valuer's skills, objectivity, competence and independence. We read Valuer's terms of engagement with the Group to determine if it was sufficient for audit purposes. *Data provided to the Valuer* We tested samples for the data provided to the 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.

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Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
Valuation of properties held for development and sale	
	Assumptions and estimates used by the Valuer 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 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 Valuer to understand the rationale. We determined 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 the matter was addressed in our audit**
Accuracy of the hyperinflation accounting for subsidiary in Lebanon	
As disclosed in note 35 to the consolidated financial statements, the economy of the Republic of Lebanon is deemed to be a hyperinflationary economy in accordance with the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies ("IAS 29"). The basic principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior periods should be restated into the same current measuring unit. The Group did not apply the requirements of IAS 29 in the prior year. Consequently, the Group has restated the comparative information presented in the consolidated financial statements as part of its application of the requirements of IAS 29.	Our audit procedures included, but were not limited to, the following: We obtained an understanding of the process implemented by the Group to determine the hyperinflation adjustments and disclosures. We assessed the controls over the above mentioned process to determine if they had been designed and implemented appropriately. We involved our internal subject matter expert to conclude on the appropriate application of IAS 29; We assessed the inputs into the hyperinflation calculations with specific emphasis on the consumer price indices used;

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Accuracy of the hyperinflation accounting for subsidiary in Lebanon (continued)	
The Group performed the hyperinflation calculations which included utilizing the consumer price indices used as a basis for hyperinflation. The restated financial results of the Group's Lebanese operations are translated to the Group's reporting currency which is AED, using publicly available price mechanism rates which are recognised by the Central Bank of Lebanon. In an efficient market, the change in an exchange rate between two economies is reflective of the long-term inflation differential between those same two economies. In the prior year the disparity between the exchange rate and the relative inflation rates was significantly higher due to which the Lebanese results are not comparable with the rest of the Group's operations. However, this difference has reduced significantly in the current year. The gain on the monetary position is calculated as the difference resulting from the restatement of non-monetary assets, equity and items in the statement of profit or loss and other comprehensive income, and adjustment of index linked assets and liabilities. The application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) in conjunction with the initial adoption of IAS 29 resulted in a net monetary adjustment of AED 195 million (2020: AED 452 million) being recognized in the consolidated statement of profit or loss for the year. The application of the requirements of IFRSs relative to hyperinflation and the assessment of the rate sensitivities disclosure were areas that required significant auditors' attention. Given the significance of the quantitative impact, the complexities associated with hyperinflationary accounting and the extent of audit effort required, the application of hyperinflation accounting for the Group's operations located in the Republic of Lebanon and the related sensitivity disclosures were deemed to be a Key Audit Matter.	We reperformed the mathematical accuracy of the hyperinflation adjustments; We reperformed the mathematical accuracy of the calculations to determine the disclosure of sensitivities detailed in note 32 to the consolidated financial statements; We determined if the exchange rates used to translate the hyper inflated statements of financial position, profit or loss and other comprehensive income and cash flows were in agreement with publicly available price mechanism rates which are recognised by the Central Bank of Lebanon and are in accordance with the requirements of IFRSs; and We assessed the disclosure in the consolidated financial statements relating to this area against the requirements of IFRSs.

Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
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. 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.	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. Assessment of controls over the revenue recognition assessment and calculations. We tested the design and operating effectiveness of relevant controls 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. 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.

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Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021.

Other Information

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the Company's Articles of Association and the U.A.E. Federal Law No. (2) of 2015 (as amended), 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.

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.

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INDEPENDENT AUDITOR'S REPORT
To the shareholders of Damac Properties Dubai Co. P.J.S.C. (continued)

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

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, as required by the U.A.E. Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the U.A.E. Federal Law No. (2) of 2015 (as amended);
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the books of account of the Group;
- as disclosed in note 8 and 11 to the consolidated financial statements of the Group its investments in shares during the financial year ended 31 December 2021;
- note 21 to the consolidated financial statements of the Group discloses material related party transactions and the terms under which they were conducted;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015 (as amended) or, in respect of the Company, its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2021; and
- note 24 to the consolidated financial statements of the Group discloses the social contributions made during the year ended 31 December 2021.

Deloitte & Touche (M.E.)

Akbar Ahmad
Registration No. 1141
24 March 2022
Dubai
United Arab Emirates

Consolidated statement of financial position as at 31 December 2021

	Notes	2021 AED'000	2020 AED'000 Restated
ASSETS			
Cash and bank balances	7	**4,120,538**	4,242,238
Financial investments	8	**2,606,169**	762,912
Trade and other receivables	9	**5,309,739**	7,029,139
Development properties	10	**8,585,233**	8,249,609
Investment in associates	11	**903,926**	293,000
Other financial assets	12	**441,972**	729,246
Right-of-use assets	13	**56,899**	59,637
Property and equipment	14	**129,702**	63,898
Investment properties	15	**164,522**	172,647
Total assets		**22,318,700**	21,602,326
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**6,050,000**	6,050,000
Statutory reserve		**903,497**	903,497
Fair value reserve		**488,369**	(43,459)
Foreign currency translation reserve	35	**(280,031)**	-
Retained earnings		**5,923,243**	6,538,795
Total equity		**13,085,078**	13,448,833
Liabilities			
Trade and other payables	17	**3,131,925**	2,818,052
Advance from customers	18	**3,373,313**	2,075,369
Bank borrowings	19	**124,834**	124,834
Sukuk certificates	20	**2,538,433**	3,069,924
Lease liabilities	13	**65,117**	65,314
Total liabilities		**9,233,622**	8,153,493
Total equity and liabilities		**22,318,700**	21,602,326

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements present fairly in all material aspects the financial position, financial performance and cash flows of the Group.

The consolidated financial statements was signed on 24 March 2022 by:

Chairman **Director**

Consolidated statement of profit or loss for the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000 Restated
Revenue	22	2,967,132	4,678,484
Cost of sales		(2,160,831)	(3,621,180)
Gross profit		806,301	1,057,304
Other operating income	23	137,188	159,123
General, administrative and selling expenses	24	(1,372,205)	(796,121)
Amortisation of right-of-use assets	13	(2,738)	(32,821)
Depreciation on property & equipment	14	(32,185)	(20,948)
Depreciation on investment properties	15	(8,125)	(8,124)
Provision for impairment on property and equipment	14	-	(50,490)
Reversal/(provision) for impairment on development properties – net	10	379,758	(1,359,892)
Loss allowance charged on trade receivables	9	(27,248)	(149,783)
Gain on sale of financial investments carried at fair value through profit or loss (FVTPL)	8(b)	201,493	115,934
(Loss)/gain on fair value of financial investments carried at fair value through profit or loss (FVTPL)	8(b)	(429,480)	33,910
Exchange loss	35	(237,856)	-
Other income – net	25	122,540	75,952
Finance income	26	12,462	46,315
Finance costs	27	(194,536)	(241,327)
Share of net gain of associates	11	94,956	-
Gain on net monetary position	35	194,934	452,269
(Provision)/reversal for value added tax	28	(127,810)	72,580
Loss before tax		(482,551)	(646,119)
Income tax expense – overseas	34	(48,405)	-
Loss for the year		(530,956)	(646,119)
Loss per share			
Basic and diluted (AED)	38	(0.0878)	(0.1068)

The accompanying notes on pages 16 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000 Restated
Loss for the year		**(530,956)**	(646,119)
Other comprehensive income / (loss):			
Item that will not be reclassified subsequently to consolidated statement of profit or loss:			
Fair value gain / (loss) on investment in equity instruments designated at fair value through other comprehensive income (FVTOCI)	**8(a)**	**447,232**	(43,459)
Item that may be reclassified subsequently to consolidated statement of profit or loss:			
Foreign exchange differences on translation of financial statements of foreign operations	**35**	**(280,031)**	-
Other comprehensive income/(loss) for the year		**167,201**	(43,459)
Total comprehensive loss for the year		**(363,755)**	(689,578)

Consolidated statement of changes in equity
for the year ended 31 December 2021

	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
Balance at 1 January 2020	6,050,000	903,497	-	-	7,119,355	14,072,852
Restatement (note 35)	-	-	-	-	65,559	65,559
Balance at 1 January 2020 - restated	6,050,000	903,497	-	-	7,184,914	14,138,411
Loss for the year	-	-	-	-	(646,119)	(646,119)
Other comprehensive loss	-	-	(43,459)	-	-	(43,459)
Total comprehensive loss for the year - restated	-	-	(43,459)	-	(646,119)	(689,578)
Balance at 31 December 2020 - restated	6,050,000	903,497	(43,459)	-	6,538,795	13,448,833
Loss for the year	**-**	**-**	**-**	**-**	**(530,956)**	**(530,956)**
Other comprehensive income	**-**	**-**	**447,232**	**-**	**-**	**447,232**
Effect of translation of foreign operations (note 35)	**-**	**-**	**-**	**(280,031)**	**-**	**(280,031)**
Other comprehensive income/(loss) for the year	**-**	**-**	**447,232**	**(280,031)**	**-**	**167,201**
Total comprehensive loss for the year	**-**	**-**	**447,232**	**(280,031)**	**(530,956)**	**(363,755)**
Transfer on derecognition of investment at FVTOCI [note 8 (a)]	**-**	**-**	**84,596**	**-**	**(84,596)**	**-**
Balance at 31 December 2021	**6,050,000**	**903,497**	**488,369**	**(280,031)**	**5,923,243**	**13,085,078**

The accompanying notes on pages 16 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2021

	2021 AED'000	2020 AED'000 Restated
Cash flows from operating activities		
Loss for the year before tax	**(482,551)**	(646,119)
Adjustments for:		
Depreciation on property and equipment and investment properties (notes 14 and 15)	**40,310**	29,072
Amortisation on right-of-use assets (note 13)	**2,738**	32,821
Provision for employees' end-of-service indemnity (note 17)	**12,515**	6,770
Amortisation of issue costs on sukuk certificates (note 20)	**5,036**	5,036
Loss on write off/disposal of property and equipment	**6,407**	610
(Reversal)/provision for impairment on development properties – net (note 10)	**(379,758)**	1,359,892
Provision for impairment of property and equipment (note 14)	**-**	50,490
Loss allowance on trade receivables (note 9)	**27,248**	149,783
Provision/(reversal) for value added tax (note 28)	**127,810**	(72,580)
Finance costs (note 27)	**194,536**	241,327
Finance income (note 26)	**(12,462)**	(46,315)
Loss/(gain) on fair value of financial investments at FVTPL [note 8 (b)]	**429,480**	(33,910)
Share of net gain of associates (note 11)	**(94,956)**	-
Dividend income (note 25)	**(52,611)**	(2,438)
Gain on net monetary position (note 35)	**(194,934)**	(452,269)
Loss/(gain) on repurchase of sukuk certificates (note 25)	**7,042**	(23,329)
Operating cash flows before changes in operating assets and liabilities	**(364,150)**	598,841
Decrease in trade and other receivables	**1,687,584**	829,435
(Increase)/decrease in development properties	**(72,709)**	377,714
Increase/(decrease) in trade and other payables	**142,054**	(548,140)
Increase/(decrease) in advances from customers	**1,292,333**	(303,552)
Employee end-of-service indemnity paid (note 17)	**(7,250)**	(16,975)
Currency translation adjustments/hyperinflation	**(42,175)**	65,559
Net cash generated from operating activities	**2,635,687**	1,002,882
Cash flows from investing activities		
Purchases of property and equipment (note 14)	**(24,863)**	(7,906)
Decrease in financial investment (note 8)	**-**	55,837
Proceeds from sale of financial investment at FVTPL (note 8)	**1,342,400**	457,225
Investment in associate (note 11)	**(286,650)**	(293,000)
Decrease in other financial assets (note 12)	**287,275**	141,148
Decrease/(increase) in deposits with an original maturity of greater than three months (note 7)	**476,990**	(446,917)
Interest received	**17,030**	48,072
Dividend income received (note 25)	**52,611**	2,438
Acquisition of financial investments at FVTPL and FVTOCI (note 8)	**(3,397,225)**	(915,770)
Net cash used in investing activities	**(1,532,432)**	(958,873)

The accompanying notes on pages 16 to 69 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)
for the year ended 31 December 2021

	2021	2020
	AED'000	AED'000
		Restated
Cash flows from financing activities		
Repayment of bank borrowings	**-**	(397,708)
Repurchase of sukuk certificates (note 20)	**(543,569)**	(203,694)
Repayment of principal lease liabilities	**(197)**	(28,056)
Finance costs paid	**(204,199)**	(237,940)
Net cash used in financing activities	**(747,965)**	(867,398)
Net increase/(decrease) in cash and cash equivalents	**355,290**	(823,389)
Cash and cash equivalents at the beginning of the year (note 7)	**3,307,918**	4,131,307
Cash and cash equivalents at the end of the year (note 7)	**3,663,208**	3,307,918

1. General information

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

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

The majority shareholder, Mr. Hussain Sajwani (the "Majority Shareholder") resigned as Chairman of the Company on 8 June 2021 thereafter, Mr. Farooq Arjomand have been elected as Chairman of the Board of Directors of the Group.

Delisting of the Company from Dubai Financial Markets PJSC ("DFM")

On 8 June 2021, the Parent received a conditional cash offer (the "Offer") from Maple Invest Co Limited (the "Offeror") a related party under the common ownership of the Majority Shareholder (the "Ultimate Offeror") to acquire remaining minority shareholders by offering AED 1.30 per share which was subsequently amended to AED 1.40 per share by (the "Offeror") on 28 October 2021. The Board of Directors unanimously recommended the Company's shareholders to accept the revised offer on 28 October 2021.

Subsequent to the reporting date, On 21 February 2022, the acquisition procedures have been settled in accordance with Article (11) of Decision of the Chairman of the SCA Board of Directors No. (18/R.M) of 2017 concerning the Rules of Acquisition and Merger of Public Shareholding Companies and in coordination with DFM and Dubai Central Securities Depository LLC ("Dubai CSD") all remaining shares of the Company that are not held by the Ultimate Offeror have been re-registered in the name of the Offeror in the Company's share register. Accordingly, the Ultimate Offeror shareholding after completion of the mandatory acquisition process reached to 100%. On 7 March 2022, General Assembly Meeting ("GAM") was held and shareholders of the Company unanimously approved the resolution to de-list the Company's share on DFM and approved the conversion of the legal form of the Company from a Public Joint Stock Company to a Private Joint Stock Company and the Company is in the process of meeting the necessary requirements for the conversion.

Federal Law No. 32 of 2021 on Commercial Companies (the "**New Companies Law**") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "**2015 Law**"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2 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 applicable requirements of the laws of the UAE.

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.

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

2.2 Basis of preparation (continued)

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.

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)

3.1 New and revised IFRSs and interpretations that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements.

In the current year, the Group has applied a number of amendments to IFRSs and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021.

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to phase 2 of interest rate benchmark reforms.
- Amendments of IFRS 16 Leases relating to Covid-19 Related Rent Concessions

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

3.1 New and revised IFRSs and interpretations that are effective for the current year (continued)

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 2021.

3.2 New and revised IFRSs in issue but not yet effective and early adopted

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective.

New and revised IFRS	**Effective for annual periods beginning on or after**
Amendments to IAS 16 *Property, plant and equipment* relating to proceeds before intended use.	1 January 2022
Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to onerous contracts.	1 January 2022
Amendments to IFRS 3 *Business Combinations* relating to reference to conceptual framework	1 January 2022
Annual improvements to IFRS standards 2018 – 2020	1 January 2022
Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and errors*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* relating to classification of Liabilities as Current or Non-Current	1 January 2023
IFRS 17 *Insurance Contracts* and Amendment to IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IAS 12 *Income Taxes* relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2	1 January 2023
Amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to treatment of sale or contribution of assets from investors	Effective date deferred indefinitely.

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

4. Significant accounting policies

4.1 Basis of consolidation

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

4. Significant accounting policies (continued)

4.1 Basis of consolidation (continued)

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.

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.

4. Significant accounting policies (continued)

4.1 Basis of consolidation (continued)

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 subsidiary listed below (together the "Group"):

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

* the holding company includes 116 subsidiaries, the results of which are consolidated in DRED.

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.

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.

4. Significant accounting policies (continued)

4.1 Basis of consolidation (continued)

Investment in associates (continued)

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 of.

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).

4.2 Cash and cash equivalents

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

4. Significant accounting policies (continued)

4.3 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.

4.4 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).

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).

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

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 model. The 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.

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:

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

Financial assets (continued)

Impairment (Continued)

- 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.

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.

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

Financial assets (continued)

Credit impaired financial assets

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

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.

4. Significant accounting policies (continued)

4.4 Financial instruments (continued)

Financial liabilities (continued)

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)

4.5 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.

4.6 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.

4.7 Property and equipment

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

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

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

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

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

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

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

4. Significant accounting policies (continued)

4.8 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.

4.9 Impairment of tangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss, 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.

4. Significant accounting policies (continued)

4.9 Impairment of tangible assets (continued)

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.

4.10 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 reasonable 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.

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.

4. Significant accounting policies (continued)

4.10 Leases (continued)

The Group as Lessee (continued)

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.

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. Significant accounting policies (continued)

4.11 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.

4.12 Statutory reserve

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

4.13 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.

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.

4.14 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. Significant accounting policies (continued)

4.15 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.

4.16 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.

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.

4. Significant accounting policies (continued)

4.16 Revenue recognition (continued)

Sales of development properties (continued)

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.

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. Significant accounting policies (continued)

4.16 Revenue recognition (continued)

Dividend income

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

4.17 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.

(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.

4.18 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.

4. Significant accounting policies (continued)

4.19 Segment reporting

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

4.20 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.

4.21 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.

4.22 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 are 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.

4.23 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.

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.

4. Significant accounting policies (continued)

4.23 Subsidiary in hyperinflationary economy (continued)

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 35.

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 results and financial position of the Group’s subsidiary – Damac Properties Lebanon SAL expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 35.

The Group did not apply the requirement of IAS 29 *Financial Reporting in Hyperinflationary Economies* in the prior year. Accordingly, it has been recorded retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*.

4.24 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.

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.

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

Critical judgments in applying accounting policies (continued)

Classification of properties

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

Investment in associates

During the year, Group acquired an additional 25% (note 11) equity interest in Damac International Limited ("DIL") (a related entity). Accordingly, as at 31 December 2021 Group's shareholding in DIL increased from 20% to 45% which has resulted in reclassification of the investment from investment in financial assets carried at FVTOCI to Investment in Associates. Management has assessed the impact of IAS 28: *Investments in Associates and Joint Ventures* and has concluded that the Group has significant influence over DIL and hence the investment has been accounted for as an 'Associate'.

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

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

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

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.

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

Critical judgments in applying accounting policies (continued)

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.

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, management has elected to use publicly available price mechanism which are recognized by the Central Bank of Lebanon 1 USD = LBP 22,700 (2020: 1 USD = LBP 1507.5) for the 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 2021.

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

Key sources of estimation uncertainty

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

Cost to complete the projects

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

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.

The resultant value expressed in net present value terms represents the estimated price that a well-informed rational and efficient developer or investor would pay for the subject property. The method takes into account the time value of money concept where future cash flows are discounted at rates ranging from 10% to 21% (2020: 10% to 20%) depending on the nature and scale of the project under development and the timeframe over which it is expected to be developed. The properties are expected to be developed over a period varying between 1 to 5 years.

The valuation method used for ‘completed properties’ and ‘land held for development’ was the comparable method which is based on similar transactions in the market adjusted for market risk, legal risk and property risk inherent to each of the properties. In prior year, the lower levels of transactional activities, liquidity and market prices impacted the comparable prices determined by the independent valuer in arriving at the realizable value of these properties. This has led to impairment provision against the carrying value of these properties. Refer note 10 for details.

Based on the above, the Group reviewed the carrying value of development properties and reversed provision for impairment by AED 380 million (2020: Additional provision of impairment of AED 1,360 million) to the consolidated statement of profit or loss for the period ended 31 December 2021.

6. Segment analysis

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

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

	2021 AED'000	2020 AED'000 Restated
Revenue		
Domestic	**2,797,559**	4,585,046
International	**169,573**	93,438
	2,967,132	4,678,484

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

	2021 AED'000	2020 AED'000 Restated
Development properties		
Domestic	**7,272,032**	6,668,013
International	**1,313,201**	1,581,596
	8,585,233	8,249,609

	2021 AED'000	2020 AED'000
Financial investments		
Domestic	**306,147**	-
International	**2,300,022**	762,912
	2,606,169	762,912

7. Cash and bank balances

	2021	2020
	AED'000	AED'000
Cash on hand	**563**	967
Cash held in escrow	**1,928,859**	2,399,147
Bank balances	**882,467**	608,780
Fixed deposits	**1,308,649**	1,233,344
Cash and bank balances	**4,120,538**	4,242,238
Fixed deposits with an original maturity of greater than three months	**(457,330)**	(934,320)
Cash and cash equivalents	**3,663,208**	3,307,918

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.

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 2021, majority of the fixed deposits earned interest at rates ranging from 0.3% to 1% (2020: 1% to 3%) per annum.

As at 31 December 2021, fixed deposits and bank balances of AED 592 million (2020: AED 416 million) are held by banks under lien against credit facilities issued to the Group.

As at 31 December 2021, an amount of AED 1,309 million (2020: AED 2,133 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:

	2021 **AED'000**	2020 AED'000
Financial investments at FVTOCI [8 (a)]	**1,147,408**	270,457
Financial investments at FVTPL [8 (b)]	**1,458,761**	492,455
Closing balance	**2,606,169**	762,912

a) Financial investments at FVTOCI

	2021 **AED'000**	2020 AED'000
Opening balance	**270,457**	369,753
Additions/(disposals) (i)	**659,039**	(55,837)
Change in fair value	**447,232**	(43,459)
Derecognition/reclassified to investment in associates (ii)	**(229,320)**	-
Closing balance	**1,147,408**	270,457

i. During the year ended 31 December 2021, Group acquired quoted equity instrument designated at FVTOCI amounting to AED 659 million (2020: AED Nil). As at 31 December 2021, Group has recognised a fair value gain amounting to AED 488 million (2020: AED Nil).

ii. During the year ended 31 December 2021, Group acquired an additional 25% equity interest in DIL which resulted in an overall equity interest of the Group in DIL to 45%. This resulted in a reclassification of this investment 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 an independent valuer (2020: AED 43 million). During the year ended 31 December 2021, an accumulated loss of AED 85 million has been reclassified from investment at FVTOCI to retained earnings. In the prior year, Group has reviewed the carrying amount of financial investment in DIL, based on an independent external valuer. The Group has adopted asset approach to determine the fair value based on expected sale price and discount rate of 7%.

b) Financial investments at FVTPL

	2021 **AED'000**	2020 AED'000
Opening balance	**492,455**	-
Additions	**2,738,186**	915,770
Disposals (i)	**(1,342,400)**	(457,225)
Change in fair value through profit or loss (ii)	**(429,480)**	33,910
Closing balance	**1,458,761**	492,455

8. Financial investments (continued)

b) Financial investments at FVTPL (continued)

i. During the year ended 31 December 2021, the Group mainly invested in quoted equity securities listed on the London, New York and Dubai stock exchanges. During the year ended 31 December 2021, the Group recognised a gain of AED 201 million in the consolidated statement of profit or loss (2020: gain of AED 116 million) upon disposal of equity investments.

ii. The Group has fair valued the quoted equity investments based on published market prices prevailing as at 31 December 2021 and recognised a loss of AED 429 million (2020: recognised a gain of AED 34 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:

	2021 AED'000	2020 AED'000
USD	**2,067,967**	720,566
EURO	**321,637**	-
AED	**216,565**	-
GBP	**-**	26,141
HKD	**-**	16,205
	2,606,169	762,912

9. Trade and other receivables

	2021 AED'000	2020 AED'000 Restated
Unbilled receivables *(i)*	**2,947,419**	3,526,654
Trade receivables *(ii)*	**1,535,090**	3,083,470
Provision for impairment on trade receivables *(iii)*	**(242,463)**	(215,215)
	4,240,046	6,394,909
Advances and deposits	**458,081**	470,441
Other receivables, prepayments and other assets	**611,612**	163,789
	5,309,739	7,029,139

(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.

9. Trade and other receivables (continued)

Movement in unbilled receivables during the year is as follows:

	2021 AED'000	2020 AED'000
Balance at the beginning of the year	**3,526,654**	4,313,599
Increase due to project progress	**1,845,258**	2,156,573
Transfer to trade receivables	**(2,424,493)**	(2,943,518)
Balance at the end of the year	**2,947,419**	3,526,654

(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:

	2021 AED'000	2020 AED'000 Restated
Balance at the beginning of the year	**(215,215)**	(65,432)
Loss allowance during the year	**(27,248)**	(149,783)
Balance at the end of the year	**(242,463)**	(215,215)

The Group has assessed and provided for doubtful trade receivables at the year ended 31 December 2021. 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.

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 2021	**2,947,419**	**156,366**	**61,645**	**64,012**	**1,010,604**	**4,240,046**
31 December 2020	3,526,654	340,313	196,793	138,240	2,192,909	6,394,909

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 2021	**2,348**	**3,780**	**6,121**	**230,214**	**242,463**
31 December 2020	2,395	8,519	3,142	201,159	215,215

10. Development properties

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

	2021 AED'000	2020 AED'000 Restated
Balance at the beginning of the year	**8,249,609**	9,527,253
Additions	**2,184,729**	3,702,308
Transfer to cost of sales	**(2,149,330)**	(3,620,060)
Transfer to property and equipment (note 14)	**(79,533)**	-
Reversal/(provision) for impairment – net	**379,758**	(1,359,892)
Balance at the end of the year	**8,585,233**	8,249,609

Impairment of development properties

At 31 December 2021, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, the Group engaged an independent external valuation expert to determine the fair value for each of the projects.

10. Development properties (continued)

Impairment of development properties (continued)

Based on the review performed by the external valuer, reversal of impairment provision of AED 380 million has been recorded during the current year (2020 addition provision for impairment: AED 1,360 million). Out of this, AED 70 million (2020: Provision for impairment AED 81 million) pertains to reversal of impairment provision in respect of the Group's development property located in Lebanon.

For impairment losses/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:

	2021 AED'000	2020 AED'000 Restated
Land held for future development	**2,626,196**	2,688,675
Properties under development	**4,139,669**	3,094,579
Completed properties	**1,819,368**	2,466,355
	8,585,233	8,249,609

During the year ended 31 December 2021, Group have 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 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.

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 2021 is AED 1,313 million (2020: AED 1,582 million).

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	
		2021	**2020**	**2021 AED'000**	2020 AED'000
Nine Elms S.H Co Ltd	Jersey	25%	25%	**335,469**	293,000
Damac International Limited ("DIL")	Cayman Island	45%	20%	**568,457**	-
				903,926	293,000

The 25% equity interest of Nine Elms S.H Co. Ltd, Jersey ("NESH") is representative of 25% equity interest in Nine Elms Property Ltd, Jersey ("NEPL"). NEPL is engaged in developing and selling a project - DAMAC Towers Nine Elms London.

During the year, pursuant to the Board Resolution dated 4 March 2021, the Group entered into a share purchase agreement with DICO International Ventures Company Limited to acquire an additional 25% shareholding in DIL for a consideration of AED 287 million which resulted in an overall equity interest in DIL to 45%. The Group reclassified financial investment carried at FVTOCI to Investment in Associates amounting to AED 229 million.

During the year ended 31 December 2021, Group recorded a share of net gain of profit of associates amounting to AED 95 million (2020: Nil).

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

As at 31 December	**2021 AED'000**	2020 AED'000
Current assets	**159,396**	159,748
Non-current assets	**2,216,299**	1,771,407
Total assets	**2,375,695**	1,931,155
Current liabilities	**1,163,780**	795,012
Non-current liabilities	**7,369**	8,780
Total liabilities	**1,171,149**	803,792
Net assets	**1,204,546**	1,127,363
Group's share of net assets	**301,137**	281,841

11. Investment in associates (continued)

	2021 AED'000	2020 AED'000
Period ended 31 December (post-acquisition period)		
Revenue	**-**	-
Net profit / (loss)	**169,874**	(444)
Other comprehensive income	**-**	-
Total comprehensive income / (loss)	**169,874**	(444)
Group's share of profit / (loss)	**42,469**	(111)

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

As at 31 December	**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**

Period ended 31 December (post-acquisition period)	
Revenue	**-**
Net profit	**116,639**
Other comprehensive income	**-**
Total comprehensive income	**116,639**
Group's share of profit	**52,487**

12. Other financial assets

	2021	2020
	AED'000	AED'000
Escrow retention accounts	**424,594**	718,996
Margin deposits	**14,445**	7,154
Other	**2,933**	3,096
	441,972	729,246

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 2021, 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 2021, out of the total escrow retention accounts, an amount of AED 175 million (2020: AED 380 million) is held with Islamic banks and the remaining balance is held with conventional banks.

13. Right-of-use assets and lease liabilities

	Total
	AED'000
Cost:	
At 1 January 2020 and 31 December 2020 & 2021	125,278
Accumulated amortisation:	
At 1 January 2020	32,820
Charge for the year	32,821
At 31 December 2020	65,641
Charge for the year	2,738
At 31 December 2021	**68,379**
Carrying value	
At 31 December 2021	**56,899**
At 31 December 2020	59,637

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

Amount of lease liabilities outstanding as at year end:

	2021	2020
	AED'000	AED'000
Opening balance	**65,314**	93,370
Interest expense for the year (note 27)	**6,425**	7,897
Lease payment during the year	**(6,622)**	(35,953)
Closing balance	**65,117**	65,314

Net present value of lease liabilities:

	2021	2020
	AED'000	AED'000
Within one year	**4,596**	5,055
Between two to five years	**15,226**	16,369
After 5 years	**29,102**	32,555

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 6 million (2020: AED 8 million).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

14. Property and equipment

	Buildings AED'000	Furniture and fixtures AED'000	Tools and office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At 1 January 2020	92,077	79,690	119,457	7,984	299,208
Additions	-	2,288	5,311	307	7,906
Disposals	(18)	-	(611)	-	(629)
At 31 December 2020	92,059	81,978	124,157	8,291	306,485
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**
Accumulated depreciation and impairment:					
At 1 January 2020	15,340	62,016	89,945	3,867	171,168
Charge for the year	8,548	2,669	8,675	1,056	20,948
Impairment losses	50,490	-	-	-	50,490
Disposal	(19)	-	-	-	(19)
At 31 December 2020	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**
Carrying value					
At 31 December 2021	**74,008**	**20,058**	**30,885**	**4,751**	**129,702**
At 31 December 2020	17,700	17,293	25,537	3,368	63,898

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:

	2021	2020
	AED'000	AED'000
Cost:		
At 1 January and 31December	**203,114**	203,114
Accumulated depreciation:		
At 1 January	**(30,467)**	(22,343)
Charge for the year	**(8,125)**	(8,124)
Balance at the end of the year	**(38,592)**	(30,467)
Net carrying value	**164,522**	172,647

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% (2020: 8%) and vacancy rate of 13% (2020: 24%). 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 2021 and 2020.

At 31 December 2021, the fair value of the completed investment properties and related land was AED 188 million (2020: AED 207 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 41 million (2020: AED 33 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 4 million (2020: AED 7 million). As at 31 December 2021 and 2020, there were no restrictions on the realization of investment properties or the remittance of income and proceeds of disposal.

16. Share capital

	2021	2020
	AED'000	AED'000
Authorised, issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	6,050,000

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

17. Trade and other payables

	2021 **AED'000**	2020 AED'000
Trade payables	**903,114**	689,487
Accruals	**872,631**	841,586
Retentions payable *(i)*	**907,203**	1,070,696
Other payables *(ii)*	**354,833**	174,831
Provision for employees' end-of-service indemnity *(iii)*	**46,717**	41,452
Provision for taxation	**47,427**	-
	3,131,925	2,818,052

(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.

	2021 **AED'000**	2020 AED'000
Retentions payable within 12 months	**573,945**	501,267
Retentions payable after 12 months	**333,258**	569,429
	907,203	1,070,696

(ii) Reconciliation of liabilities arising from financing activities

	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**

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

(a) Balance at the beginning and 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.

17. Trade and other payables (continued)

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

	2021 AED'000	2020 AED'000
Balance at the beginning of the year	**41,452**	51,657
Charge for the year	**12,515**	6,770
Payments during the year	**(7,250)**	(16,975)
Balance at the end of the year	**46,717**	41,452

18. 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:

	2021 AED'000	2020 AED'000 Restated
Balance at the beginning of the year	**2,075,369**	2,371,228
Amounts collected/ advance billing during the year	**4,306,467**	4,489,537
Revenue recognised during the year	**(2,867,859)**	(4,629,806)
Other operating income recognised during the year	**(140,664)**	(155,590)
Balance at the end of the year	**3,373,313**	2,075,369

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

19. Bank borrowings

	2021 AED'000	2020 AED'000
Bank facilities	**124,834**	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, repayable in 2022. AED 242 million was repaid as at 31 December 2021 (2020: AED 242 million).

(b) During the year ended 31 December 2021, Group had arranged for a bank overdraft facility amounting to AED 300 million (2020: AED Nil) of which the entire amount is unutilized as at 31 December 2021.

(c) As at 31 December 2021, the Group had arranged for bank facilities amounting to AED 1,217 million (2020: AED 1,346 million) in the form of letters of credit and guarantees out of which AED 136 million (2020: AED 841 million) remained unutilised as at the reporting date.

19. Bank borrowings (continued)

(d) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 370 million (2020: AED 369 million), corporate guarantees of the Group, pledges over bank accounts and deposits aggregating to AED 213 million (2020: AED 416 million).

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

	2021 AED'000	2020 AED'000
Within one year	**124,834**	124,834

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

	AED'000
1 January 2020	522,543
Drawn down	-
Repayments	(397,709)
31 December 2020	124,834
Drawn down	-
Repayments	-
31 December 2021	**124,834**

20. Sukuk certificates

	2021 AED'000	2020 AED'000
Sukuk certificates	**2,542,136**	3,078,663
Unamortised issue costs	**(3,703)**	(8,739)
Carrying amount	**2,538,433**	3,069,924

Movement in unamortised issue costs is as follows:

	2021 AED'000	2020 AED'000
Balance at the beginning of the year	**8,739**	13,775
Amortised during the year	**(5,036)**	(5,036)
Balance at the end of the year	**3,703**	8,739

20. Sukuk certificates (continued)

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

  The Certificateholders are paid returns at the rate of 6.25% per annum. At the reporting date, the fair value of the sukuk is amounting to AED 1,281 million (2020: AED 1,719 million)

  During the year ended 31 December 2021, the Group repurchased sukuk certificates with a face value of US$ 124 million (AED 454 million) at a premium (2020: US$ 32 million, AED 118 million at a discount).

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

  The Certificateholders are paid returns at the rate of 6.625% per annum. At the reporting date, the fair value of the sukuk is amounting to AED 1,274 million (2020: AED 1,359 million).

  During the year ended 31 December 2021, the Group repurchased sukuk certificates with a face value of US$ 23 million (AED 83 million) at a premium (2020: US$ 30 million, AED 109 million at a discount).

The repayment profile of sukuk certificates is as follows :

	2021 **AED'000**	2020 AED'000
Amount due for settlement within 12 months	**1,265,648**	-
Amount due for settlement after 12 months	**1,276,488**	3,078,663
	2,542,136	3,078,663

20. Sukuk certificates (continued)

Reconciliation of liabilities arising from financing activities:

	AED'000
1 January 2020	3,305,686
Drawn down	-
Repurchase	(227,023)
31 December 2020	**3,078,663**
Drawn down	**-**
Repurchase (i)	**(536,527)**
31 December 2021	**2,542,136**

(i) The cash flows from sukuk certificates represent repurchase of sukuk certificates outstanding balance of AED 537 million (2020: AED 227 million) against the cash payment of AED 544 million at premium (2020: AED 204 million at discount) in the consolidated statement of cash flows.

21. 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:

	2021 **AED'000**	2020 AED'000
Entities under the control of the Majority Shareholder:		
Investment in Damac International Limited *(i)* (note 11)	**286,500**	55,837
Investment in Nine Elms SH Co Ltd *(ii)*	**-**	293,000
Support services fees *(iii)*	**4,836**	4,836
Loss on fair valuation of financial investment [note 8 (a)]	**41,137**	43,459

(i) Acquisition of 25% Stake in DIL:

On 4 March 2021, the Group acquired 25% equity interest of DIL, 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 as at purchase date. The consideration was paid in full and there are no amounts outstanding as at 31 December 2021.

(ii) Investment in Nine Elms SH Co Ltd

In the prior year, the Group acquired 25% stake in Nine Elms SH Co Ltd for a consideration of AED 293 million, from Nine Elms S.R Co Ltd a related entity under the control of the Majority Shareholder.

21. Related party transactions (continued)

(iii) Support services fees

During the year ended 31 December 2021, the Group received AED 5 million (2020: AED 5 million) towards support services rendered to DIL and DICO Investments Co. LLC, both related entities under the control of Majority 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*.

	2021 **AED'000**	2020 AED'000
Salaries and other short-term employee benefits	**5,565**	7,958
Other long term benefits	**234**	410
	5,799	8,368

22. Revenue

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

	2021 **AED'000**	2020 AED'000 Restated
Over time	**2,762,980**	4,566,247
Point in time	**204,152**	112,237
	2,967,132	4,678,484

	2021 **AED'000**	2020 AED'000 Restated
Sale of development properties	**2,891,536**	4,627,119
Leasing revenue	**41,017**	32,565
Other revenue	**34,579**	18,800
	2,967,132	4,678,484

As at the year ended 31 December 2021, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied performance obligations is AED 8,384 million (2020: AED 4,236 million). The Group will recognise this revenue as projects progress is achieved, which is expected to occur over the next 1 to 4 years.

23. Other operating income

	2021 AED'000	2020 AED'000
Income from cancellation of units, net	**137,188**	159,123

24. General, administrative and selling expenses

	2021 AED'000	2020 AED'000 Restated
Staff costs	**368,230**	289,864
Selling and marketing expenses	**598,717**	250,438
Repairs and maintenance	**228,273**	133,096
Rent and license fees	**37,834**	21,323
Legal and professional	**59,811**	37,447
Travel and communication	**16,374**	14,245
Bank charges	**21,822**	15,917
Insurance	**8,729**	9,636
Social contributions	**1,500**	1,540
Other	**30,915**	22,615
	1,372,205	796,121

25. Other income – net

	2021 AED'000	2020 AED'000 Restated
Property management fees	**44,623**	30,420
Support services fees (note 21)	**4,836**	4,836
Dividend income	**52,611**	2,438
(Loss) / gain on repurchase of sukuk certificates	**(7,042)**	23,329
Other	**27,512**	14,929
	122,540	75,952

26. Finance income

	2021 AED'000	2020 AED'000
Islamic banks and financial institutions	**3,697**	21,888
Conventional banks and financial institutions	**8,765**	24,427
	12,462	46,315

27. Finance costs

	2021 AED'000	2020 AED'000 Restated
Islamic banks and financial institutions	**183,063**	208,882
Conventional banks and financial institutions	**5,048**	24,548
Interest on lease liabilities (note 13)	**6,425**	7,897
	194,536	241,327

28. (Provision)/reversal for value added tax ("VAT")

During the year, the Group has submitted voluntary disclosure of VAT liability to Federal Tax Authority ("FTA") and subsequently FTA has made an assessment on the voluntary disclosure submitted by the Group, which resulted in an additional VAT liability of AED 55 million (2020: Reversal of VAT liability of AED 101 million). Further, the Group has reassessed its position for the output VAT to be charged to certain customers and made a voluntary disclosure of the VAT liability to the FTA of AED 73 million (2020: AED 9 million).

29. Contingent liabilities

	2021 AED'000	2020 AED'000
Bank guarantees	**1,081,402**	607,780

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 2021.

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 2021. 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.

30. Commitments

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

	2021 AED'000	2020 AED'000
Contracted for	**1,200,550**	1,689,030

30. Commitments (continued)

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.

31. 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

	2021	2020
	AED'000	AED'000
		Restated
Financial assets		
At amortised cost	**8,877,153**	11,426,914
At fair value through other comprehensive Income	**1,147,408**	270,457
At fair value through profit or loss	**1,458,761**	492,455
	11,483,322	12,189,826
Financial liabilities		
At amortised cost	**5,766,164**	6,036,672

(c) Fair value of financial instruments

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

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

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

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. As at 31 December 2021, financial investments carried at FVTOCI reported in Note 8(a) is classified as Level 1 (2020: Note 8(a) is classified as Level 3). The financial investments at fair value through profit or loss reported in Note 8(b) is classified as Level 1 (2020: Note 8(b) is classified as Level 1).

There were no transfers between Level 1, 2 and 3 during the year ended 31 December 2021 and 2020.

32. 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 26 million (2020: AED 4.9 million).

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

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 2021. 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 2021 would decrease/increase by AED 8 million (2020: AED 9 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

32. Financial risk management (continued)

(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.

	2021	2020
	AED'000	AED'000
		Restated
GBP	**2,444**	1,395
EURO	**1,277**	-
LBP	**11,866**	13,143
Others*	**63**	113
	15,650	14,651

**Others include CAD, CNY, 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.

(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:

32. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

	Less than 1 year AED'000	1 - 2 years AED'000	3 - 5 years AED'000	Total AED'000
31 December 2021:				
Non-interest bearing	**2,704,520**	**333,257**	**-**	**3,037,777**
Fixed interest rate instruments	**1,265,648**	**1,276,488**	**65,118**	**2,607,254**
Variable interest rate instruments	**124,834**	**-**	**-**	**124,834**
	4,095,002	**1,609,745**	**65,118**	**5,769,865**
31 December 2020 (restated):				
Non-interest bearing	2,207,171	407,652	161,777	2,776,600
Fixed interest rate instruments	-	1,719,176	1,424,801	3,143,977
Variable interest rate instruments	124,834	-	-	124,834
	2,332,005	2,126,828	1,586,578	6,045,411

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 2021:				
Non-interest bearing	**7,126,532**	**-**	**-**	**7,126,532**
Variable interest rate instruments	**1,546,482**	**128,940**	**75,199**	**1,750,621**
	8,673,014	**128,940**	**75,199**	**8,877,153**
31 December 2020 (restated):				
Non-interest bearing	9,464,324	-	-	9,464,324
Variable interest rate instruments	1,526,548	400,322	35,720	1,962,590
	10,990,872	400,322	35,720	11,426,914

33. 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 19 and 20, 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.

34. Income tax expense - Overseas

During the year, the Group has received Zakat Assessment orders for its subsidiary in Kingdom of Saudi Arabia 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 an appeal against the decision to GAZT. At the end of the reporting period, the management has estimated that the amount of additional zakat, if any, that may become payable on finalisation of the unassessed zakat period would not be material to the Group's financial position.

35. 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 2021 and 2020.

Consequently, the Group has applied for the first time IAS 29 to its subsidiary, Damac Properties Lebanon SAL from 1 January 2020 and for financial reporting purposes for the year ended 31 December 2021 and 2020. The subsidiary did not have material operations during the year ended 31 December 2021 and the total assets of the Lebanon subsidiary are approximately 0.84% of the Group's consolidated total assets as at 31 December 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 2021 was 284.04 (2020: 118) and closed at 31 December 2021 at 921.4 (2020: 284.04).

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 2021, the resulting gain on the net monetary position for Damac Properties Lebanon SAL amounted to AED 195 million (2020 restated: AED 452 million). The group recognised exchange loss of AED 238 million (2020: AED Nil) in the statement of profit or loss due to movement in foreign currency exchange rate.

The comparative amounts in the consolidated financial statements presented in a stable currency are not adjusted for subsequent changes in the price level or exchange rates. 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.

35. Hyperinflation (continued)

Consolidated statement of financial position

	2021 AED'000 After hyperinflation	2021 AED'000 Before hyperinflation	2020 AED'000 After hyperinflation Restated	2020 AED'000 Before hyperinflation
ASSETS				
Cash and bank balances	**4,120,538**	**4,122,959**	4,242,238	4,242,238
Financial investments	**2,606,169**	**2,606,169**	762,912	762,912
Trade and other receivables	**5,309,739**	**5,309,739**	7,029,139	7,029,139
Development properties	**8,585,233**	**8,434,452**	8,249,609	7,783,004
Investment in associates	**903,926**	**903,926**	293,000	293,000
Other financial assets	**441,972**	**441,972**	729,246	729,246
Right-of-use assets	**56,899**	**56,899**	59,637	59,637
Property and equipment	**129,702**	**129,702**	63,898	63,898
Investment properties	**164,522**	**164,522**	172,647	172,647
Total assets	**22,318,700**	**22,170,340**	21,602,326	21,135,721
EQUITY AND LIABILITIES				
Equity				
Share capital	**6,050,000**	**6,050,000**	6,050,000	6,050,000
Statutory reserve	**903,497**	**903,497**	903,497	903,497
Fair value reserve	**488,369**	**488,369**	(43,459)	(43,459)
Foreign currency translation reserve	**(280,031)**	**-**	-	-
Retained earnings	**5,923,243**	**5,500,463**	6,538,795	6,079,883
Total equity	**13,085,078**	**12,942,329**	13,448,833	12,989,921
Liabilities				
Trade and other payables	**3,131,925**	**3,131,925**	2,818,052	2,818,052
Advances from customers	**3,373,313**	**3,367,701**	2,075,369	2,067,676
Bank borrowings	**124,834**	**124,834**	124,834	124,834
Sukuk certificates	**2,538,433**	**2,538,433**	3,069,924	3,069,924
Lease liabilities	**65,117**	**65,118**	65,314	65,314
Total liabilities	**9,233,622**	**9,228,011**	8,153,493	8,145,800
Total equity and liabilities	**22,318,700**	**22,170,340**	21,602,326	21,135,721

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

35. Hyperinflation (continued)

Consolidated statement of profit or loss and other comprehensive income

	2021 AED'000 After hyperinflation	**2021 AED'000 Before hyperinflation**	2020 AED'000 After hyperinflation Restated	2020 AED'000 Before hyperinflation
Revenue	**2,967,132**	**2,974,901**	4,678,484	4,670,562
Cost of sales	**(2,160,831)**	**(2,162,216)**	(3,621,180)	(3,599,298)
Gross profit	**806,301**	**812,685**	1,057,304	1,071,264
Other operating income	**137,188**	**137,188**	159,123	159,123
General, administrative and selling expenses	**(1,372,205)**	**(1,373,584)**	(796,121)	(794,142)
Amortisation of right-of-use assets	**(2,738)**	**(2,738)**	(32,821)	(32,821)
Depreciation on property & equipment	**(32,185)**	**(32,185)**	(20,948)	(20,948)
Depreciation on investment properties	**(8,125)**	**(8,125)**	(8,124)	(8,124)
Provision for impairment on property and equipment	**-**	**-**	(50,490)	(50,490)
Reversal/(provision) for impairment on development properties - net	**379,758**	**364,806**	(1,359,892)	(1,325,059)
Loss allowance charged on trade receivables	**(27,248)**	**(22,006)**	(149,783)	(146,718)
Gain on sale of financial investments carried at fair value through profit or loss (FVTPL)	**201,493**	**201,493**	115,934	115,934
(Loss)/gain on fair value of financial investments carried at fair value through profit or loss (FVTPL)	**(429,480)**	**(429,480)**	33,910	33,910
Exchange loss	**(237,856)**	**-**	-	-
Other income – net	**122,540**	**122,554**	75,952	75,803
Finance income	**12,462**	**12,462**	46,315	46,315
Finance costs	**(194,536)**	**(196,635)**	(241,327)	(236,099)
Share of net loss of associates	**94,956**	**94,956**	-	-
Gain on net monetary position	**194,934**	**-**	452,269	-
(Provision)/reversal for value added tax	**(127,810)**	**(127,810)**	72,580	72,580
Loss before tax	**(482,551)**	**(446,419)**	(646,119)	(1,039,472)
Income tax expense – overseas	**(48,405)**	**(48,405)**	-	-
Loss for the year	**(530,956)**	**(494,824)**	(646,119)	(1,039,472)
Loss per share				
Basic and diluted (AED)	**(0.0878)**	**(0.0818)**	(0.1068)	(0.1718)
Other comprehensive income/(loss):				
Fair value gain / (loss) on investment in equity instruments designed at fair value through other comprehensive income (FVTOCI)	**447,232**	**447,232**	(43,459)	(43,459)
Foreign currency differences on translation of financial statements of foreign operations	**(280,031)**	**-**	**-**	**-**
Total comprehensive loss for the year	**(363,755)**	**(47,592)**	(689,578)	(1,082,931)

36. Impact of prior period adjustment on consolidated financial statements

The Group has applied for the first time IAS 29 to its subsidiary in Lebanon, Damac Properties Lebanon SAL from 1 January 2020. The adoption of IAS 29 was omitted in 2020. Accordingly, it has been recorded retrospectively in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors* and consolidated financial statements of the Group are restated to reflect the rectified balances.

The effects of retrospective adoption of IAS 29 on the Group's consolidated financial statements are presented below:

	As previously reported AED'000	**Restatements AED'000**	**Restated AED'000**
Consolidated statement of financial position as at 31 December 2020			
Development properties	7,783,004	466,605	8,249,609
Advances from customers	2,067,676	7,693	2,075,369
Retained earnings	6,079,883	458,912	6,538,795
Consolidated statement of profit or loss for the year ended 31 December 2020			
Revenue	4,670,562	7,922	4,678,484
Cost of sales	(3,599,298)	(21,882)	(3,621,180)
General, administrative and selling expenses	(794,142)	(1,979)	(796,121)
Provision for impairment on development properties	(1,325,059)	(34,833)	(1,359,892)
Loss allowance charged on trade receivables	(146,718)	(3,065)	(149,783)
Other income – net	75,803	149	75,952
Finance costs	(236,099)	(5,228)	(241,327)
Gain on net monetary position	-	452,269	452,269
Loss for the year	(1,354,951)	393,353	(961,598)
Consolidated statement of cash flows for the year ended 31 December 2020			
Loss for the year before tax	(1,039,472)	393,353	(646,119)
Provision for impairment on development properties	1,325,059	34,833	1,359,892
Loss allowance on trade receivables	146,718	3,065	149,783
Finance costs	236,099	5,228	241,327
Foreign currency translation adjustment / hyperinflation impact	-	65,559	65,559
Gain on net monetary position	-	(452,269)	(452,269)
Decrease in trade and other receivables	832,500	(3,065)	829,435
(Increase)/decrease in development properties	419,190	(41,476)	377,714
Increase/(decrease) in trade and other payables	(542,912)	(5,228)	(548,140)

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37. Impact of COVID -19

The outbreak of novel coronavirus (Covid-19) pandemic in early 2020 has either directly or indirectly impacted all businesses. Measures to prevent transmission of the virus has an immediate impact on businesses, which then affects supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Implications of reduced economic activity on financial reporting should be considered by all companies. As the Group is essentially engaged in property development, some short term impact has been experienced, however, management continues to have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future.

During the year ended 31 December 2021, the overall situation regarding new infections improved in the UAE. The vaccination campaigns initiated at the end of 2020 were massively deployed with significant percentage of the eligible population being vaccinated. The vaccination drive around the world has been also gaining momentum and is helping in containing the impact of Covid-19. This resulted in gradual relaxation of travel restrictions with several countries and a start of normalisation of the activity in UAE at the end of the reporting period.

The Group continues monitoring the evolution of the situation and adjust its operations in a dynamic manner to cope with an acceleration or a deceleration of the recovery and keep adjusting its critical judgements and estimates including the inputs used for expected credit loss, macroeconomic factors, and valuation of development properties and investment properties, as necessary.

38. Earnings per share

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

	2021	2020 Restated
Loss for the year (AED'000)	**(530,956)**	(646,119)
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000
Loss per ordinary share – Basic and diluted (AED)	**(0.0878)**	(0.1068)

39. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Directors and authorised for issue on 24 March 2022.