

Damac Properties Dubai Co. PJSC
Dubai – United Arab Emirates

**Review report and condensed consolidated
interim financial information
for the three month period ended
31 March 2021**

Damac Properties Dubai Co. PJSC
Review report and condensed consolidated interim financial information (Unaudited)
for the three month period ended 31 March 2021

Table of contents	Pages
Report on review of condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial information	7 – 26

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Damac Properties Dubai Co. PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Damac Properties Dubai Co. PJSC** (the “Company”) **and its Subsidiaries** (together the “Group”) as at 31 March 2021 and the related condensed consolidated interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410: “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Other matters

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. Furthermore, the condensed consolidated interim financial information of the Group for the three months period ended 31 March 2020 were reviewed by another auditor who expressed an unmodified conclusion on 21 May 2020.

Deloitte & Touche (M.E.)




Akbar Ahmad
Registration No. 1141
15 May 2021
Dubai
United Arab Emirates


**Condensed consolidated interim statement of financial position
as at 31 March 2021**

	Notes	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
ASSETS			
Cash and bank balances	6	3,069,230	4,242,238
Trade and other receivables	7	6,511,125	7,029,139
Development properties	8	7,831,152	7,783,004
Investment in associates	9	805,295	293,000
Other financial assets	10	660,907	729,246
Financial investments	11	2,530,778	762,912
Right-of-use assets	12	58,954	59,637
Property and equipment	13	62,762	63,898
Investment properties	14	170,616	172,647
Total assets		21,700,819	21,135,721
EQUITY AND LIABILITIES			
Equity			
Share capital	15	6,050,000	6,050,000
Statutory reserve		903,497	903,497
Fair value reserve		175,249	(43,459)
Retained earnings		5,805,665	6,079,883
Total equity		12,934,411	12,989,921
Liabilities			
Trade and other payables	16	2,939,286	2,818,052
Advances from customers	17	2,287,963	2,067,676
Lease liabilities	12	66,889	65,314
Bank borrowings	18	493,267	124,834
Sukuk certificates	19	2,979,003	3,069,924
Total liabilities		8,766,408	8,145,800
Total equity and liabilities		21,700,819	21,135,721

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

The interim financial information was signed on 15 May 2021 by:



Chairman


Director

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

**Condensed consolidated interim statement of profit or loss (Unaudited)
for the three month period ended 31 March 2021**

	Notes	1 January to 31 March	
		2021	2020
		(3 month)	(3 month)
		(Unaudited)	(Unaudited)
		AED'000	AED'000
Revenue	21	642,226	1,229,231
Cost of sales		(503,523)	(917,037)
Gross profit		138,703	312,194
Other operating income	22	3,643	17,078
General, administrative and selling expenses	23	(311,951)	(221,949)
Amortisation of right-of-use assets	12	(683)	(8,205)
Depreciation on property & equipment and investment properties	13,14	(5,690)	(7,450)
Provision for impairment on development properties		-	(130,014)
Provision of impairment on trade receivables	7	(59,529)	(52,516)
Operating loss		(235,507)	(90,862)
Gain on financial investments carried at FVTPL		73,544	-
Other income / (expenses) – net	24	28,282	25,618
Finance income	25	4,016	20,465
Finance costs	26	(56,282)	(61,348)
Share of net loss of associates	9	(3,675)	-
Loss for the period		(189,622)	(106,127)
Loss per share			
Basic and diluted (AED)	29	(0.0313)	(0.0175)

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

**Condensed consolidated interim statement of comprehensive income (Unaudited)
for the three month period ended 31 March 2021**

	Notes	1 January to 31 March	
		2021	2020
		(3 month)	(3 month)
		(Unaudited)	(Unaudited)
		AED'000	AED'000
Loss for the period		(189,622)	(106,127)
Other comprehensive income:			
<i><u>Item that will not be reclassified subsequently to profit or loss:</u></i>			
Fair value gain/(loss) on investment in equity instruments designed at fair value through other comprehensive income	11	134,112	(13,863)
Total comprehensive loss for the period		(55,510)	(119,990)

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

**Condensed consolidated interim statement of changes in equity (Unaudited)
for the three month period ended 31 March 2021**

	Share capital AED'000	Statutory reserve AED'000	Fair value 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
Loss for the period	-	-	-	(106,127)	(106,127)
Other comprehensive income	-	-	(13,863)	-	(13,863)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	-	(13,863)	(106,127)	(119,990)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	<u>6,050,000</u>	<u>903,497</u>	<u>(13,863)</u>	<u>7,013,228</u>	<u>13,952,862</u>
Balance at 1 January 2021	6,050,000	903,497	(43,459)	6,079,883	12,989,921
Loss for the period	-	-	-	(189,622)	(189,622)
Other comprehensive Income	-	-	134,112	-	134,112
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	-	134,112	(189,622)	(55,510)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Transfer on derecognition of investment at FVTOCI	-	-	84,596	(84,596)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<u>6,050,000</u>	<u>903,497</u>	<u>175,249</u>	<u>5,805,665</u>	<u>12,934,411</u>

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

**Condensed consolidated interim statement of cash flows (Unaudited)
for the three month period ended 31 March 2021**

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Cash flows from operating activities		
Loss for the period	(189,622)	(106,127)
<i>Adjustments for:</i>		
Depreciation on property and equipment and investment properties (notes 13 and 14)	5,690	7,450
Amortisation on right-of-use assets (note 12)	683	8,205
Provision for employees' end-of-service indemnity (note 16)	4,101	3,045
Amortisation of issue costs on sukuk certificates (note 19)	1,259	1,259
Provision for impairment on development properties	-	130,014
Provision of impairment on trade receivables (note 7)	59,529	52,516
Finance costs (note 26)	56,282	61,348
Finance income (note 25)	(4,016)	(20,465)
Share of net loss of associates	(3,675)	-
Unrealised gain on fair value of financial investments carried at FVTPL	(41,969)	-
Loss/(gain) on repurchase of sukuk certificates (note 24)	365	(12,888)
Operating cash flows before changes in operating assets and liabilities	(111,373)	124,357
Decrease in trade and other receivables	458,262	89,562
(Increase)/decrease in development properties	(48,148)	22,523
Decrease/(increase) in trade and other payables	70,055	(23,067)
Increase/(decrease) in advances from customers	220,287	(89,946)
Employee end-of-service indemnity paid (note 16)	(2,135)	(2,542)
Net cash generated from operating activities	586,948	120,887
Cash flows from investing activities		
Purchases of property and equipment (note 13)	(2,523)	(3,362)
Increase in financial investments, net	(1,591,785)	-
Investment in associates	(508,620)	-
Decrease in other financial assets	68,339	165,578
Decrease in deposits with an original maturity of greater than three months	115,448	70,126
Interest received	4,238	21,586
Net cash (used in)/ generated from investing activities	(1,914,903)	253,928
Cash flows from financing activities		
Repayment of bank borrowings	-	(276,516)
Redemption and repurchase of sukuk certificates	(92,545)	(46,625)
Repayment for principal portion of lease liabilities	-	(7,493)
Finance costs paid	(5,493)	(10,649)
Net cash used in financing activities	(98,038)	(341,283)
Net (decrease)/increase in cash and cash equivalents	(1,425,993)	33,532
Cash and cash equivalents at the beginning of the period	3,307,918	4,131,307
Cash and cash equivalents at the end of the period (note 6)	1,881,925	4,164,839

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

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021****1. General information**

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

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

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

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in process of reviewing the new provisions and will apply the requirements thereof by 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**

The condensed consolidated interim financial information are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of Federal Law No. 2 of 2015.

The condensed consolidated interim financial information of the Group do not include all the information and disclosures required in the full consolidated financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020. In addition, results for the period from 1 January 2021 to 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 Basis of preparation

The condensed consolidated interim financial information 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The condensed consolidated interim statement of profit or loss and other comprehensive income for the three month period ended 31 March 2021 and 31 March 2020 is not significantly affected by seasonality of the results.

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

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

3. Summary of significant accounting policies

The principal accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, and the notes attached thereto, except for the adoption of certain new and revised standards, that became effective in the current period as set out below.

3.1 New standards, amendments and interpretations

(a) *New and revised IFRS applied with no material effect on the condensed consolidated interim financial information*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRS has not had any material impact on the amounts reported for the current period and prior years 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.

(b) *New and revised IFRSs in issue but not yet effective*

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

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 16 <i>Property, plant and equipment</i> relating to proceeds before intended use.	1 January 2022
Amendment to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> relating to onerous contracts.	1 January 2022
Amendments to IFRS 3 <i>Business Combinations</i> relating to reference to conceptual framework	1 January 2022
Annual improvements to IFRS standards 2018 - 2020	1 January 2022
Amendments to IAS 8 <i>Accounting policies, Changes in accounting estimates and errors</i>	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to classification of Liabilities as Current or Non-Current	1 January 2023
Amendment to IFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 4 <i>Insurance Contracts</i> Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2	1 January 2023
Amendment to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> 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 condensed consolidated interim financial information for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

3. Summary of significant accounting policies (continued)

3.2 Details of subsidiary consolidated

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

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

*the holding company includes 93 subsidiaries, the results of which are consolidated in DRED.

3.3 Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

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

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical judgements and estimates used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 except for the changes highlighted below:

Investment in Associates

As reported in note 9, during the period, Group acquired 25% equity interest in Damac International Limited (“DIL”) (a related entity), Accordingly, as at 31 March 2021 Group’s shareholding in DIL increased from 20% to 45% which has resulted in reclassification 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 the entity and hence the investment has been accounted for as an ‘Associate’.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

5. Segment analysis

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

Revenue, operating results, assets and liabilities presented in the condensed consolidated interim financial information of the Group pertains to property development segment of the Group.

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

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED’000	AED’000
<u>Revenue</u>		
Domestic	616,696	1,196,714
International	25,530	32,517
	642,226	1,229,231
	31 March	31 December
	2021	2020
	(Unaudited)	(Audited)
	AED’000	AED’000
<u>Development properties</u>		
Domestic	6,697,397	6,668,013
International	1,133,755	1,114,991
	7,831,152	7,783,004

6. Cash and bank balances

	31 March	31 December
	2021	2020
	(Unaudited)	(Audited)
	AED’000	AED’000
Cash on hand	4,787	967
Cash held in escrow	2,022,670	2,399,147
Bank balances	197,249	608,780
Fixed deposits	844,524	1,233,344
Cash and bank balances	3,069,230	4,242,238
Fixed deposits with an original maturity of greater than three months	(818,872)	(934,320)
Bank overdrafts (note 18)	(368,433)	-
Cash and cash equivalents	1,881,925	3,307,918

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

6. Cash and bank balances (continued)

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

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

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

Fixed deposits are financial assets held by banks with maturity period of less than and more than three months from the date of placement. As at reporting date, the fixed deposits earned interest at rates ranging from 1% to 2% (2020: 1% to 3%) per annum.

At the reporting date, fixed deposits and bank balances of AED 561 million (31 December 2020: AED 416 million) are held by banks under lien against credit facilities issued to the Group.

The Group holds certain bank accounts for the beneficial interest of Owners’ Associations, which are not recorded in these condensed consolidated interim financial information.

At the reporting date, an amount of AED 1,749 million (31 December 2020: AED 2,133 million) is held with Islamic banks and the remaining balance is held with conventional banks.

7. Trade and other receivables

	31 March 2021 (Unaudited) AED’000	31 December 2020 (Audited) AED’000
Unbilled receivables (i)	3,334,474	3,526,654
Trade receivables (ii)	2,769,401	3,080,405
Provision for impairment on trade receivables (iii)	(271,679)	(212,150)
	5,832,196	6,394,909
Advances and deposits	444,345	470,441
Other receivables, prepayments and other assets	234,584	163,789
	6,511,125	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 at the reporting date. These are transferred to trade receivables when invoiced as per milestones agreed in contracts with the customers.

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

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

7. Trade and other receivables (continued)

(iii) Movement in the provision for impairment on trade receivables is as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Balance at the beginning of the period / year	(212,150)	(65,432)
Net provision of impairment during the period / year	(59,529)	(146,718)
	<u>(271,679)</u>	<u>(212,150)</u>

8. Development properties

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Balance at the beginning of the period/year	7,783,004	9,527,253
Additions	551,200	3,178,988
Transfer to cost of sales	(503,052)	(3,598,178)
Provision for impairment	-	(1,325,059)
	<u>7,831,152</u>	<u>7,783,004</u>

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:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Land held for future development	2,688,845	2,688,675
Properties under development	3,205,928	3,094,579
Completed properties	1,936,379	1,999,750
	<u>7,831,152</u>	<u>7,783,004</u>

No borrowing costs have been capitalised to development properties. The carrying value of development properties located outside the United Arab Emirates as at 31 March 2021 is AED 1,134 Million (31 December 2020: AED 1,115 Million).

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

9. Investment in associates

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 period, 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 overall equity interest in DIL to 45%. The Group reclassified financial investment carried at FVTOCI to Investment in Associates amounting to AED 229 million.

The following entities has been included in the condensed consolidated interim financial information of the Group using the equity method:

Name	Country of incorporation principal place of business	Proportion of ownership interest held as at		Investments in associates held as at	
		31 March 2021	31 December 2020	31 March 2021 AED'000	31 December 2020 AED'000
Nine Elms S.H Co Ltd	Jersey	25%	25%	292,128	293,000
Damac International Limited	Cayman Island	45%	20%	513,167	-

During the period, Group has recorded a share of net loss from associates amounting to AED 4 million (31 December 2020: AED Nil).

10. Other financial assets

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Escrow retention accounts	647,845	718,996
Margin deposits	8,460	7,154
Other	4,602	3,096
	660,907	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.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

10. Other financial assets (continued)

At 31 March 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 reporting date, an amount of AED 334 million (31 December 2020: AED 380 million) is held with Islamic banks and the remaining balance is held with conventional banks.

11. Financial investments

A) Financial investments at fair value through other comprehensive income

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Opening balance	270,457	369,753
Additional/(disposals) investments (i)	554,265	(55,837)
Change in fair value in other comprehensive income	134,112	(43,459)
Derecognition/reclassified to investment in associates (ii)	(229,320)	-
Closing balance	<u><u>729,514</u></u>	<u><u>270,457</u></u>

- i. During the period ended 31 March 2021, Group acquired quoted equity instrument designated at FVTOCI amounting to AED 554 million (31 December 2020: AED Nil). As at 31 March 2021, Group has recognised a fair value gain amounting to AED 175 million (31 December 2020: AED Nil).
- ii. During the period, Group acquired additional 25% equity interest in DIL which resulted in an overall equity interest in DIL to 45% which resulted in reclassification from financial investment at FVTOCI to Investment in Associates amounting to AED 229 million. Further, during the period Group has recognised a fair value loss of AED 41 million based on the valuation carried out by an independent valuer (31 December 2020: AED 43 million).

B) Financial investments at fair value through profit or loss

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Opening balance	492,455	-
Additions	1,510,454	915,770
Disposals (iii)	(243,614)	(457,225)
Change in fair value through profit or loss (iv)	41,969	33,910
Closing balance	<u><u>1,801,264</u></u>	<u><u>492,455</u></u>

- iii. During the period, the Group mainly invested in quoted equity securities listed on the London stock exchange and the New York stock exchange. During the period, Group has sold equity investments amounting to AED 244 million and recognised a gain of AED 32 million in the condensed consolidated interim statement of profit or loss.
- iv. The Group has fair valued the quoted equity investments based on published market prices prevailing as at 31 March 2021 and recognised a gain of AED 42 million in the condensed consolidated interim statement of profit or loss.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

12. Right-of-use assets and lease liabilities

	Total AED'000
Cost:	
At 1 January 2020 (Audited)	125,278
At 31 December 2020 (Audited)	125,278
At 31 March 2021 (Unaudited)	125,278
Accumulated amortisation:	
At 1 January 2020 (Audited)	32,820
Charge for the year	32,821
At 31 December 2020 (Audited)	65,641
Charge for the period	683
At 31 March 2021 (Unaudited)	66,324
Carrying value	
At 31 March 2021 (Unaudited)	58,954
At 31 December 2020 (Audited)	59,637

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Opening balance	65,314	93,370
Interest expense for the period / year (note 26)	1,575	7,897
Lease payment during the period / year	-	(35,953)
Closing balance	66,889	65,314

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

13. 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 (Audited)	92,059	81,978	124,157	8,291	306,485
Additions	-	288	1,772	463	2,523
Disposals	-	-	-	(490)	(490)
At 31 March 2021 (Unaudited)	92,059	82,266	125,929	8,264	308,518
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
Disposals	(19)	-	-	-	(19)
At 31 December 2020 (Audited)	74,359	64,685	98,620	4,923	242,587
Charge for the period	832	645	1,732	450	3,659
Disposals	-	-	-	(490)	(490)
At 31 March 2021 (Unaudited)	75,191	65,330	100,352	4,883	245,756
Carrying value					
At 31 March 2021 (Unaudited)	16,868	16,936	25,577	3,381	62,762
At 31 December 2020 (Audited)	17,700	17,293	25,537	3,368	63,898

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

14. Investment properties

Investment properties represent completed properties held at cost less accumulated depreciation and any impairment losses under the cost model in accordance with IFRS. Movement during the period/year is as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Cost:		
Balance at the beginning of the period/ year	203,114	203,114
Balance at the end of the period/ year	203,114	203,114
Accumulated depreciation:		
Balance at the beginning of the period / year	30,467	22,343
Charge for the period/ year	2,031	8,124
Balance at the end of the period/ year	32,498	30,467
Net carrying amount	170,616	172,647

15. Share capital

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Authorised, issued, subscribed and fully paid shares of AED 1 each	6,050,000	6,050,000

16. Trade and other payables

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Trade payables	802,226	689,487
Accruals	839,419	841,586
Retentions payable (i)	1,029,296	1,070,696
Other payables	224,927	174,831
Provision for employees' end-of-service indemnity (ii)	43,418	41,452
	2,939,286	2,818,052

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

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

16. Trade and other payables (continued)

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

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Balance at the beginning of the period/ year	41,452	51,657
Charge for the period/year	4,101	6,770
Payments during the period/year	(2,135)	(16,975)
	<hr/>	<hr/>
Balance at the end of the period/year	43,418	41,452
	<hr/>	<hr/>

17. Advances from customers

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

Movement during the period/year is as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Balance at the beginning of the period/year	2,067,676	2,371,228
Amounts collected / advance billing during the period/year	853,933	4,481,844
Amount invoiced/ revenue recognised during the period/year	(630,003)	(4,629,806)
Other operating income recognised during the period / year (note 22)	(3,643)	(155,590)
	<hr/>	<hr/>
Balance at the end of the period/year	2,287,963	2,067,676
	<hr/>	<hr/>

18. Bank borrowings

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Bank facilities	124,834	124,834
Overdrafts (note 6)	368,433	-
	<hr/>	<hr/>
	493,267	124,834
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

18. Bank borrowings (continued)

- 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 March 2021.
- b) During the period, Group had arranged for bank overdraft facilities amounting to AED 372 million (31 December 2020: AED Nil). As at 31 March 2021, Group has an unutilized bank overdraft facility amounting to AED 4 million.
- c) As at 31 March 2021, the Group had arranged for bank facilities amounting to AED 1,096 million (31 December 2020: AED 1,346 million) in the form of letters of credit and guarantees out of which AED 778 million (31 December 2020: AED 841 million) remained unutilised as at the reporting date.
- d) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group with a market value of AED 387 million (31 December 2020: AED 369 million), corporate guarantees of the Company, pledges over bank accounts and deposits aggregating to AED 561 million (31 December 2020: AED 416 million).
- e) Repayment profile of the Group's bank borrowings at the reporting date is as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
On demand or within one year	493,267	124,834

19. Sukuk certificates

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Sukuk certificates	2,986,483	3,078,663
Unamortised issue costs	(7,480)	(8,739)
Carrying amount	2,979,003	3,069,924

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

19. Sukuk certificates (continued)

Movement in unamortised issue costs is as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Balance at the beginning of the period/year	8,739	13,775
Amortised during the period/year	(1,259)	(5,036)
Balance at the end of the period/year	7,480	8,739

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

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

During the period, the Group repurchased sukuk certificates carrying face value of US\$ 2.5 million (AED 9 million) at a discount.

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

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

During the period, the Group repurchased sukuk certificates carrying face value of US\$ 22.6 million (AED 83 million) at a premium.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

19. Sukuk certificates (continued)

The repayment profile of sukuk certificates is as follows:

	31 March 2021 (Unaudited) AED'000	31 December 2020 (Audited) AED'000
Amount due for settlement within 12 months	-	-
Amount due for settlement after 12 months	2,979,003	3,069,924
	2,979,003	3,069,924

20. Related party transactions

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

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

	1 January to 31 March 2021 (3 months) (Unaudited) AED'000	2020 (3 months) (Unaudited) AED'000
<u>Entities under the control of the Chairman</u>		
Investment in Damac International Limited (i) (note 9)	286,500	-
Support services fees (ii)	1,209	1,209
Loss on fair valuation of financial investment	41,137	13,863

(i) Acquisition of 25% Stake of DIL:

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

(ii) Support services fees

During the period, the Group received AED 1.2 million (31 March 2020: AED 1.2 million) towards support services rendered to Damac International Limited and DICO Investments Co. LLC, both related entities under the control of the Chairman.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

20. Related party transactions (continued)

Remuneration of key management personnel

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

	1 January to 31 March	
	2021	2020
	(3 months)	(3 months)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Salaries and other short-term employee benefits	1,826	2,323
Other long-term benefits	96	121
	1,922	2,444

21. Revenue

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

	1 January to 31 March	
	2021	2020
	(3 months)	(3 months)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Over time	610,697	1,196,715
Point in time	31,529	32,516
	642,226	1,229,231

22. Other operating income

	1 January to 31 March	
	2021	2020
	(3 months)	(3 months)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Income from cancellation of units, net (note 17)	3,643	17,078

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

23. General, administrative and selling expenses

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Staff costs	78,110	94,805
Selling and marketing expenses	157,114	73,183
Repairs and maintenance	38,935	17,694
Rent and license fees	6,026	5,804
Legal and professional	13,250	10,422
Travel and communication	2,446	7,075
Bank charges	4,045	2,377
Insurance	1,850	2,565
Social contributions	125	500
Other	10,050	7,524
	311,951	221,949

24. Other income / (expenses) – net

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Property management fees	13,889	8,775
Support services fees (note 20)	1,209	1,209
(Loss)/gain on repurchase of sukuk certificates	(365)	12,888
Dividend income	9,530	-
Other	4,019	2,746
	28,282	25,618

25. Finance income

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Islamic banks and financial institutions	829	10,291
Conventional banks and financial institutions	3,187	10,174
	4,016	20,465

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

26. Finance costs

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Islamic banks and financial institutions	52,430	52,750
Conventional banks and financial institutions	2,277	6,346
Interest on lease liabilities (note 12)	1,575	2,252
	56,282	61,348

27. Contingent liabilities

	31 March	31 December
	2021	2020
	(Unaudited)	(Audited)
	AED'000	AED'000
Bank guarantees	778,174	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 March 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 reporting date. The Group also has certain claims from the customers and other parties for which the management is of the opinion that no cash outflows are expected to be paid by the Group against these legal cases and claims.

28. Commitments

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

	31 March	31 December
	2021	2020
	(Unaudited)	(Audited)
	AED'000	AED'000
Contracted for	1,202,348	1,689,030

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.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)**

29. Earnings per share

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

	1 January to 31 March	
	2021	2020
	(3 month)	(3 month)
	(Unaudited)	(Unaudited)
Loss for the period (AED'000)	(189,622)	(106,127)
Weighted average number of ordinary shares ('000)	6,050,000	6,050,000
Loss per ordinary share – Basic and diluted (AED)	(0.0313)	(0.0175)

30. 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 Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial information approximate their fair values. As at 31 March 2021, financial investments carried at FVTOCI reported in note 11A is classified as Level 1 (31 December 2020: note 11A is classified as Level 3). The financial investments at fair value through profit or loss reported in note 11B is classified as Level 1 (31 December 2020: note 11B is classified as Level 1).

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

31. Comparative figures

Previous period figures have been regrouped or reclassified wherever necessary to make them comparable to those of the current period. The reclassification does not have any effect on the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows.

**Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)****32. 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, 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.

The duration and impact of the COVID-19 pandemic remains unclear at this point in time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods. Given the unpredictable outcome of this pandemic, the Group will continue to monitor and assess the situation and keep adjusting its critical judgements and estimates including the inputs used for expected credit loss, macroeconomic factors, valuation of development properties and investment properties, as necessary, during the course of 2021.

33. Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information for the three month period ended 31 March 2021 was approved by the Board of Directors and authorised for issue on 15 May 2021.