

The background of the image features a complex, abstract network graph. It consists of numerous small, light-colored nodes connected by thin lines, forming a dense web of triangles and quadrilaterals. Several larger, solid gold-colored triangles are integrated into this network, creating a sense of depth and structure.

DAMAC

LIVE THE LUXURY

2015 ANNUAL REPORT

DAMAC PROPERTIES DUBAI CO PJSC

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CORPORATE OVERVIEW

Chairman's letter to the shareholders

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Performance highlights

CHAIRMAN'S LETTER TO THE SHAREHOLDERS



Hussain Sajwani
Chairman

Dear Shareholders,

2015 was a pivotal year for DAMAC, not only did we achieve record revenue and profit levels, a highlight was the company listing on the Dubai Financial Market (DFM), our home market exchange. Today DAMAC Properties Dubai PJSC is a major constituent of the DFM, representing, over its first year of trading, circa 10% of total daily value traded on the DFM and 4.6% of total DFM market cap as at 31st December 2015.

2015 was a year of firsts. We completed units in AKOYA by DAMAC our first master plan development around a golf course in Dubai, thus demonstrating our capabilities as a master developer. We completed our first project in Qatar, The Piazza, comprising 512 units in Doha. We added a new partner to our expanding stable of luxury brand associations with the launch of Bugatti Styled Villas in AKOYA Oxygen, our first automotive brand partnership. We also took a minority share in a joint venture and launched our first development project outside the Middle East, AYKON Nine Elms with interior design by Versace Home in London, the first branded development of its size in one of the most exciting global real estate markets. Furthermore, we substantially expanded our reach into the Chinese market by signing strategic collaborations with two of the largest real estate agents 5i5j and Qfang. These real estate firms have over 70K sales agents across various cities in China.

Business Highlights

During 2015, our revenues increased by 16% to AED 8,536 million (US\$ 2,323 million) versus 2014 revenue of AED 7,385 million (US\$ 2,010 million), a record figure for DAMAC. This strong top line performance resulted in profits growing by 31% to AED 4,516 million (US\$ 1,229 million) versus 2014 net profit of AED 3,442 million (US\$ 937 million), again a new high for the company.

Our margins remained strong with gross margin at 59.4% (2014: 58.5%) and net

profit margin at 52.9% (2014: 46.6%).

Total booked sales for the year 2015 reached a strong AED 9,065 million (US\$ 2,467 million) following exceptional 2014 booked sales of AED 11,532 million (US\$ 3,138) that had benefitted from peak market conditions and the mega launch of our largest project to date, the master plan development of AKOYA Oxygen.

At DAMAC, we continue to believe in using leverage as an efficient balance sheet management tool and our gross debt stood at AED 3,765 million (US\$ 1,024 million). This represents gross debt to equity ratio of 0.38x and ratio of 0.83x full year 2015 EBITDA. Our cash and bank balance stood at AED 9,501 million (US\$ 2,585 million) implying net cash position of AED 5,736 million (US\$ 1,561 million).

Developments completed during the year included Lakeside, NAIA Tenora, DAMAC Maison Upper Crest and our first set of units in AKOYA by DAMAC of three G+7 buildings called Golf Panorama, Golf Vista and Golf Horizon, as well as regional development The Piazza in Qatar. We are particularly proud of these achievements as they demonstrate our ability to deliver as master developers on time and on budget and further confirm the transferability of our skills and operational know-how into new markets.

During 2015, as part of our ongoing land bank replenishment programme, DAMAC acquired three plots in the Business Bay area of Dubai.

2015 also saw continued progress in our hospitality division. We have currently five properties open, four under the DAMAC Maison banner and one under the brand NAIA. We also launched our second collaboration with Paramount Hotels & Resorts in a prime location on Sheikh Zayed Road. With over 13,000 keys to deliver in the next five years, hospitality real estate remains a key pillar of our growth strategy and a great complement to our positioning of branded luxury real estate.

“A challenging market environment creates opportunities for well capitalised and experienced Company like us with a strong track-record.”

In 2015, the Board has honoured their commitment made at the beginning of the year to recommend a cash dividend payout of at least 25% of the paid up capital, distributed in two interim payments. At the half year results, we paid 10%, and the remaining 15% has been proposed for shareholders' approval in the upcoming general meeting. In addition, we also distributed 10% share dividends at the half year results, taking our capital up to AED 6,050 million. These decisions underscore our commitment to position DAMAC as a high-yielding stock. Based on our DFM listing as at 12 January 2015 of AED 2.79 per share (or AED 2.31 per share adjusted for two 10% share dividends during 2015), shareholders would realise cash dividend yield of 10.4% including the proposed final dividend by the Board for year 2015.

In 2015 the Dubai real estate market suffered a deluge of negative press, driven primarily by macroeconomic concerns around the impact of the precipitous drop in the oil price, the devaluation of the currencies of commodity-dependent emerging markets and appreciation of the Gulf's US dollar-linked currencies, increasing the price of the underlying assets. These fears were compounded by supply expectations suggesting that developers would be adding circa 25,000 units to the housing stock in 2015.

It would be naive to dismiss these points – the market in 2015 was certainly tougher. We are at a consolidation point in the cycle and the rapid growth witnessed in 2012-2014 is now behind us. However, this challenging market environment creates opportunities for a well-capitalised and experienced Company like ours with a strong track record. The oil price dynamic is certainly a factor, but one should always remember that a falling oil price both erodes as well as creates wealth.

Devaluating currencies clearly drive asset prices up in hard dollars while at the same time driving investors to want to lock in parts of their wealth in the hard currency in fear of further devaluation. Perhaps, most importantly, 2015 ended with supply not exceeding 8,000 units for the whole Dubai market, a massive reduction on the initial 25,000 expectation.

We strongly believe that the current environment is very different to the one we faced in 2008. Dubai, in terms of government, regulator, developers, providers of capital, both debt and equity, and investors, have learned a great deal. The underlying fundamental drivers that make Dubai an attractive destination have not changed. Dubai is a safe haven in a troubled region, a secure investment environment driven by robust regulatory frameworks, a leader in infrastructure investment, a hub for tourism (14.26 million overnight visitors to Dubai in 2015) and international travel with the busiest airport on the planet (over 78 million passengers), a young, vibrant and productive population growing at 5% and a diversified economy outpacing others in the region. Importantly for the real estate market, a high single-digit rental yield – amongst the healthiest in major metropolitan centres globally. This set of conditions should continue to drive circa 20,000 housing units of incremental demand.

Ultimately, developers who have the capabilities to target healthy pockets of demand, and who can offer a portfolio of products to satisfy it would fare better. We believe at DAMAC that our ability to successfully execute our differentiated strategy is what sets us apart. Our solid results are only a testament to that.

Outlook

Looking ahead, we expect the Dubai market in 2016 to resiliently navigate the challenging macroeconomic outlook. We see the structural shortage of supply as the cornerstone of the market's resilience. We expect total supply to again fall short of 10,000 new units in 2016, eventually driving the market back into positive pricing growth territory, perhaps towards the latter part of the year. At DAMAC we remain focused on leveraging our competitive edge and believe we have at our disposal a set of levers that will allow us to continue to post solid results in the year to come.

As always, I am grateful to you all for the faith that you have placed in me and for the responsibility that you have entrusted to me and my team.

Hussain Sajwani

Footnotes:

1. DAMAC Real Estate Development Limited (DRED) is a wholly owned subsidiary of DAMAC Properties Dubai Company PJSC (DPDC) and owner of all real estate assets. All financial numbers and performance are reported based on DRED's operating and financial performance to make meaningful comparison for the users of this report. We have used a fixed exchange rate of US\$ 1 = AED 3.675, across the report.

2. Market supply figures are based on reports from renowned international property consultants JLLM and Cluttons

CHIEF FINANCIAL OFFICER'S MESSAGE



Adil Taqi
Group Chief Financial Officer

Group performance summary

2015 was a strong year with substantial increases across our key financial metrics. We also repatriated our capital market listing to the Dubai Financial Market, our home market. We made a successful offer to exchange our outstanding Global Depository Receipts (listed on London Stock Exchange) for Ordinary Shares (listed on Dubai Financial Market), which began trading in Dubai on 12 January 2015 onwards. Subsequently, the GDRs were de-listed in March 2015. I would like to acknowledge and thank all our stakeholders who assisted us with this transaction.

During the reporting period, our recognised revenue increased 16% to AED 8,536 million (US\$ 2,323 million) in 2015 from AED 7,385 million (US\$ 2,010 million) in 2014. This was attributable to progress across our key projects under development.

We continue to maintain industry leading margins with our gross profit margin at 59.4% for the year under review. Profit during the year grew 31% to AED 4,516 million (US\$ 1,229 million).

Construction is in full swing across all major ongoing projects. A milestone development was the commencement of the first set of deliveries in AKOYA by DAMAC, our first master plan development.

We continue to maintain strong collection momentum at over AED 7.5 billion (US\$ 2,067 billion) and with our increased focus on execution we have incurred land and construction related spends of circa AED 4.65 billion (US\$ 1.27 billion) during the year.

Delisting of Global Depository Receipts

In September 2014, the Board launched an offer to give Eligible Holders of DAMAC Real Estate Development Limited's GDRs the opportunity to exchange their GDRs for DAMAC Properties Dubai PJSC Shares,

which would be tradeable on the DFM following DFM admission. We believe that a DFM listing was a logical extension of our focus on the core markets in which we operate and should enable us to further develop our profile in the Middle East region and attract a broader investor base. This should, in turn, enhance the trading liquidity in DAMAC Shares. As at the close of the Offer on 9 Jan 2015, acceptances had been tendered (and not withdrawn) in respect of 97.4% of the GDRs, and the shares began trading on the DFM on 12 January 2015. The GDRs were subsequently de-listed, in March 2015 after statutory squeeze-out of remaining GDRs. Since listing (12 Jan 2015) up to 31 December 2015 we have seen total traded value of AED 15.2 billion (c. US\$ 4.1 billion) in DAMAC shares on DFM.

Early adoption of IFRS 15

(Revenue from contracts with customers)

During the year, The Board decided to early adopt IFRS 15 ahead of the mandatory adoption date and in line with our peers. The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Previous years' financials have not been restated and early adoption is in the form of an adjustment to the opening balance (as at 1 January 2015) of retained earnings. Early adoption had a one-time positive impact on retained earnings to the extent of AED 598 million (US\$ 163 million).

Land bank

In line with our medium term strategy, we seek to maintain a rolling five to six years of land bank inventory. As at 31 December 2015, we have approximately 5.4 years of unsold inventory based on our full year 2015 sales volumes. During 2015, we also acquired three new plots in the Business Bay area and its Safa Park extension. These acquisitions form part of our ongoing pipeline replenishment

“Record results with revenues up 16% and net profit up 31%.”

programme. We continually appraise opportunities and replenish the land bank as we develop our existing pipeline. We have deferred consideration for land payments as at 31 December 2015 to the tune of AED 2,118 million (US\$ 576 million), these payments are scheduled all the way up to the year 2020.

Debt

We aim to use leverage as an efficient balance sheet management tool. During 2015, gross debt increased by AED 1,120 million (US\$ 304 million) to AED 3,765 million (AED 1,024 million) as at 31 December 2015. Gross debt to total assets ratio stands at 16.1% as at 31 December 2015 and approximately 17% of our gross debt matures in the next 12 months.

In September 2015, DAMAC Real Estate Development Limited (DRED), a wholly owned subsidiary of DAMAC Properties Dubai PJSC, announced the successful completion of the issue of a US\$ 100 million senior unsecured 18-month certificates by way of a private placement. The Sukuk certificates are rated 'BB Stable Outlook' by Standard & Poor's in line with DAMAC's international ratings. The proceeds of the offering are to be used for general corporate purposes and for the acquisition of land plots to strengthen and extend the Company's development pipeline, in accordance with our medium term funding and growth strategies.

Finance costs of AED 153 million (US\$ 45 million) were up by AED 53 million (US\$ 14 million) due to higher gross debt levels. Majority of our debt is fixed interest bearing in nature and our weighted average cost of debt is under 5% as at 31 December 2015.

Overheads

General, administrative and selling expenses were down 7% during the year to AED 872 million (US\$ 237 million). Decline was mainly due to base-effect as 2014 expenses included incremental provision of impairment on trade receivable to the tune of AED 94 million (US\$ 26 million). Excluding reversal of / provision for impairment on trade receivables our general expenses grew 3.5% year on year in 2015.

Brokerage commission declined from AED 247 million (US\$ 67.1 million) to AED 141 million (US\$ 38 million). This was primarily due to the dual factors of lower sales values compared to the previous year and higher proportions of in-house sales versus an external broker network.

Growth in equity, cash and bank balance

Equity grew 87% in 2015 to AED 9,832 million (US\$ 2,675 million) as at 31 December 2015. During the year this increase of AED 4,564 million (US\$ 1,242) was mainly from profit generated during the year of AED 4,516 million (US\$ 1,229 million), a one-time positive impact from the early adoption of IFRS 15 to the tune of AED 598 million (US\$ 163 million) and less interim cash dividends paid out to the extent of AED 550 million (US\$ 150 million).

Our cash and bank balance stood at AED 9,501 million (US\$ 2,585 million) as at 31 December 2015 representing growth of 44% over 31 December 2014 levels.

The year ahead

We seek to maintain a focused balance sheet with majority of assets represented by cash and development properties as usual. We aim to limit our gross debt exposure to circa 1.1x EBITDA at any point in time. We look forward to 2016 with much excitement and a strong belief in our ability to successfully navigate the challenging environment ahead.

Adil Taqi

ABOUT US

DAMAC Properties Dubai Co PJSC – leading the luxury real estate sector in the Middle East

DAMAC Properties Dubai Co PJSC, the sole owner of DAMAC Real Estate Development Limited ('DAMAC') has been at the forefront of the Middle East's luxury real estate market since 2002 – bringing luxury living experiences to residents from all over the world. Making its mark at the highest end of stylish living, DAMAC Properties has cemented its place amongst the leading developers in the region, offering iconic design and the upmost quality. The Company's footprint now extends across the Middle East and UK with projects in the UAE, Qatar, Saudi Arabia, Jordan, Lebanon and London – UK.

As of 31st December 2015, DAMAC Properties had delivered over 15,500 homes, and has a development portfolio of over 40,000 units at various stages of progress and planning. Included in this are 13,000 hotel rooms and serviced hotel apartments which will ultimately be managed by the Company's hospitality arm, DAMAC Hotels & Resorts.

DAMAC's vision is to deliver luxury living within high-quality residential, hospitality, leisure and commercial developments. At the heart of the Company's culture lies the desire to accomplish this vision for its customers from all over the world, encompassing every element from architects, designers and contractors, through to the handover of keys. To ensure developments are delivered to the highest possible standards, DAMAC provides the right working environment for talented employees, selects only the right partners, and develops projects in strategic locations.

As a leading brand in the market, DAMAC Properties has joined forces with some of the most recognisable fashion and

lifestyle brands to bring new and exciting living concepts to the market. Projects include a Tiger Woods designed golf course which will be managed by The Trump Organization, luxury apartments with interiors by Italian fashion-houses Versace and Fendi, luxury villas styled by Bugatti, and uniquely conceptualised Paramount Hotels & Resorts to deliver serviced living at its most opulent.

The Company is also developing two of the most anticipated luxury master communities in Dubai – AKOYA by DAMAC and AKOYA Oxygen with a combined square footage of almost 100 million square feet.

Running through the heart of each project will be an 18-hole championship golf course – The Trump International Golf Club Dubai, designed by Gil Hanse and The Trump World Golf Club Dubai, designed by Tiger Woods. Both courses will be managed by the Trump Organization, offering the highest levels of white glove service. Each master development will house luxury villas and apartments, with branded living concepts available within AKOYA by DAMAC from Paramount Hotels & Resorts and Fendi, in addition to Bugatti Styled Villas and several other luxury concepts in AKOYA Oxygen.

As a global leader in branded real estate, the company is also developing a US\$1.35 billion hotel and luxury serviced residences in the Burj area of Dubai called DAMAC Towers by Paramount Hotels & Resorts, which will comprise the first Paramount hotel and serviced residences in the region.

DAMAC Properties' hospitality portfolio will extend within the coming four

years to reach around 13,000 units. The company's pipeline of hospitality projects to be opened in the coming few months extends across the Burj area and other key locations of Dubai and will be operated by DAMAC Hotels & Resorts.

On the international level, and through a joint venture with DAMAC International, DAMAC's know-how in luxury real estate development reached one of the most sought-after locations for property – the city of London. AYKON Nine Elms will be the latest addition to London's skyline, a 50-storey tower with interiors by Versace, confirming again the successful co-operation between the iconic Italian fashion brand and DAMAC.

With vision and momentum, DAMAC Properties is building the next generation of luxury living.

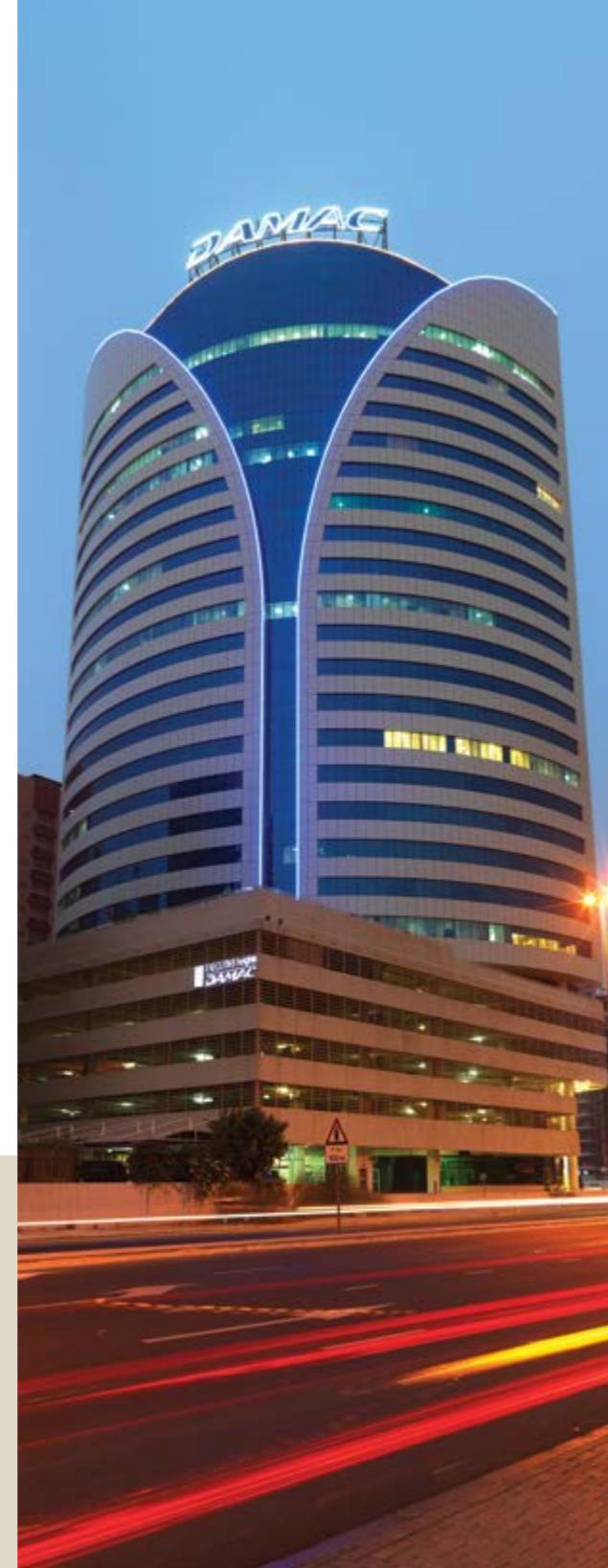
As DAMAC continues to innovate and bring new concepts to the market, the Company is determined to build on its powerful performance to date.



Park Towers



Executive Heights



Ocean Heights



Lake View



EVOLUTION OF THE COMPANY

FOCUS ON SALES AND RAMPING UP PHASE



- 2002** • Early entry to the off-plan working capital efficient model
- 2006** • Delivered first project 'Marina Terrace' in Dubai
- 2008** • Early move to manage the exposure and debt position in 2008

FOCUS ON CONSTRUCTION

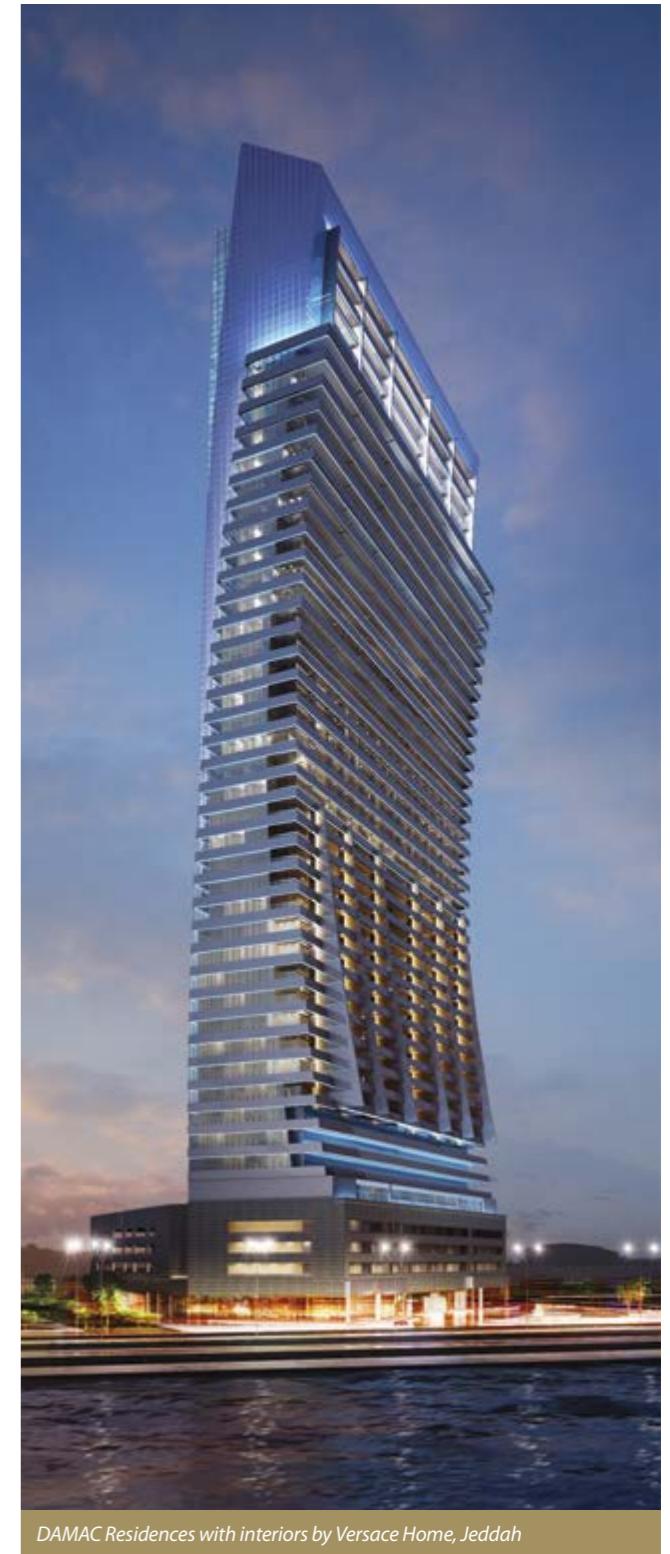


- 2009** • Managed liquidity position and continued building throughout crisis
- 2011** • Entry into hospitality market and the establishment of DAMAC Maison Hotels & Resorts
- 2012**

FOCUS ON INNOVATION



- 2013** • Brand associations (Trump / Fendi / Paramount)
 - AKOYA by DAMAC launched
 - First IPO following the crisis (US\$ 380 million) – listed on LSE
- 2014**
 - Raised US\$ 650 million sukuk; five-year maturity at 4.97% p.a.
 - Delivered first project 'DAMAC Residences with interiors by Versace Home' in Jeddah, KSA
 - 55-million-square-foot master development 'AKOYA Oxygen' acquired and launched
 - Region's first officially Sharia certified product launched
- 2015**
 - Primary listing on local stock exchange – Dubai Financial Market
 - Delivered first project in Doha, Qatar
 - London Project – AYKON Nine Elms launched
 - First set of residences delivered in AKOYA by DAMAC, our first master plan development



DAMAC Residences with interiors by Versace Home, Jeddah

PERFORMANCE HIGHLIGHTS

2015 JAN • DAMAC listed on DFM

2015 FEB • Dubai and the region's first rainforest announced at AKOYA Oxygen

2015 MAR • 10% bonus shares dividend proposed by Board, approved in subsequent AGM by shareholders
• Global Depository Receipts from London Stock Exchange de-listed

2015 APR • DAMAC Maison The Vogue hotel apartments opened in Burj area

2015 MAY • NAIA Breeze hotel apartments opened in Burj area, first one under brand NAIA
• Vista Lux launched, a luxury retail promenade at AKOYA Oxygen
• Nova Hotel Villa concept launched at Arabian Travel Market
• Agreement made with 5i5j in China to access Chinese buyer base interested in investing in Dubai property market

2015 JUN • New 'Paramount Residences' at the Paramount Tower Hotel & Residences Dubai launched

2015 JUL • AYKON Nine Elms London's first fashion-branded Residences with Versace Home launched

2015 AUG • 10% cash and 10% share dividend based on H1 2015 performance proposed by Board

2015 SEP • Italian inspired apartments, Merano Tower, introduced at Cityscape Global
• Ettore 971 Bugatti Styled Villas, the world's first Bugatti-styled homes launched at Cityscape Global
• Exclusive four-tower apartment project launched at AKOYA Oxygen

2015 OCT • Dedicated DAMAC sales office opened in the Middle East for AYKON Nine Elms project

2015 NOV • Agreement made with Qfang in China (over 30,000 sales staff) to access Chinese buyer base interested in investing in Dubai property market
• 11 awards won at the Arabian and International Property Awards

2015 DEC • First set of completions delivered at our master development, AKOYA by DAMAC
• NAIA Tenora and DAMAC Maison Upper Crest completed / handed over



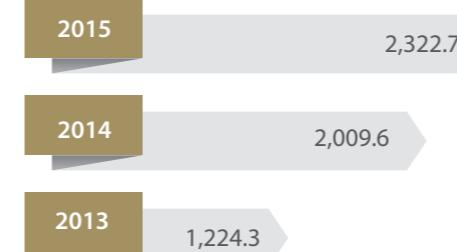
Revenue
US\$ 2.32 billion

Gross profit
US\$ 1.38 billion

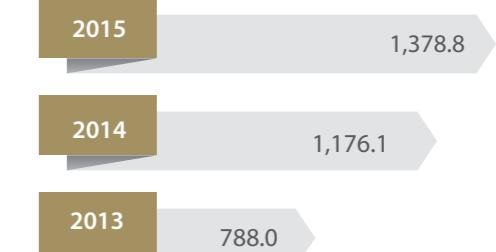
Net profit
US\$ 1.23 billion

FINANCIAL HIGHLIGHTS

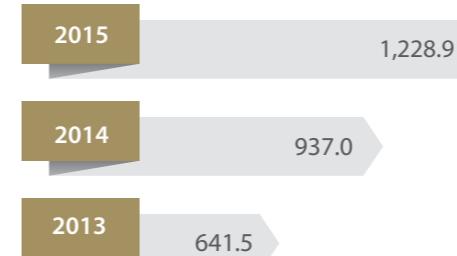
REVENUE (US\$ million)



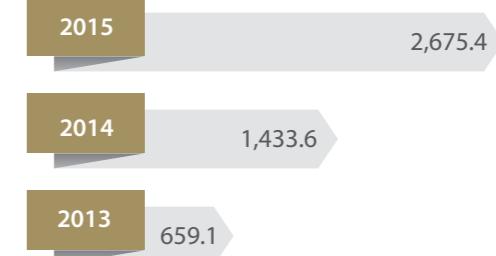
GROSS PROFIT (US\$ million)



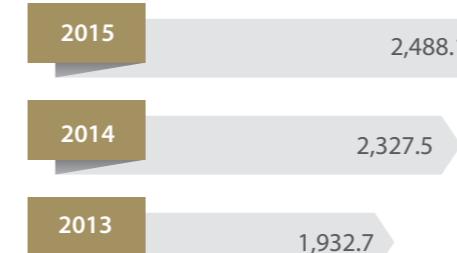
NET PROFIT (US\$ million)



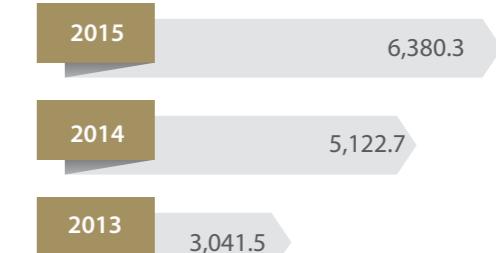
EQUITY (US\$ million)



DEVELOPMENT PROPERTIES (US\$ million)



TOTAL ASSETS (US\$ million)



STRATEGIC REVIEW

Our strategy

Our marketplace

Portfolio focus



OUR STRATEGY

“DAMAC Properties, as a leading luxury real estate developer, strives to bring unique living concepts to life and build dream homes for customers around the world.”

CORPORATE OBJECTIVE

Our paramount objective is to consistently deliver sustainable long-term value to all our stakeholders.

PRIORITY PILLARS



CORPORATE VALUES

Do what is right, not what is easy

Work efficiently as one team

Make commercial decisions that create long-term value

Make things happens

Strive to exceed existing standards



PRIORITY PILLARS – IN DETAIL

1. CUSTOMER CENTRIC APPROACH

Our customers are always at the heart of our business. We understand and anticipate their changing needs, integrating valuable customer feedback into our design process. DAMAC Properties is the only developer in Dubai with a direct sales force of more than 700 people, supported by state-of-the-art Customer Relationship Management (CRM) systems. After carefully defining and targeting customer segments, we pursue them wherever they are located in the world. In 2015, we conducted close to 500 roadshows in over 100 cities globally.

2. DELIVER SUPERIOR LIVING EXPERIENCES

A key focus for us is to continue building relationships with land owners, ensuring the acquisition of the right land so that we can create outstanding living spaces. Our aim is to be the partner of choice for land owners by demonstrating our ability to achieve their desired vision for Dubai, while creating value. We also partner with lifestyle brands, incorporating their aesthetics into our design process, creating distinguished homes and driving aspirational demand for luxury living experiences.

3. FOCUS ON CAPITAL EFFICIENCY

All aspects of our building processes are approached with a 'right-first-time' focus. We value engineer during our design process. DAMAC Properties' central procurement division facilitates all our projects and enables an intimate management of contractors during the lifespan of respective projects. We have a team of almost 500 experts (quantity surveyors, architects, project managers, procurement agents, etc) making sure that the capital deployed is efficiently utilised, further driving our industry leading margins forward.

4. MAXIMISE SHAREHOLDER VALUE

Our single-minded aim is to build the group's profitability, drive return on equity and maintain an appropriate capital structure, whilst offering attractive cash returns to all of our shareholders. We achieved record levels of revenues and profits in 2015, enabling us to distribute cash dividends.

5. EMPLOY AND DEVELOP EXPERT PEOPLE

Last but not the least, none of the above is achievable without the hard work and dedication of our employees. DAMAC Properties is always on the lookout to recruit and retain the very best. We promote teamwork and offer professional growth opportunities, while ensuring everyone echoes our corporate values.

OUR MARKETPLACE

Since its inception, DAMAC has created a stronghold in the top-end luxury segment of the residential real estate market in Dubai and has built a strong reputation across the Middle East region and beyond. The DAMAC brand has become synonymous with luxury and quality at the highest level, resulting in global recognition for the design, architecture and style of its growing portfolio.



DAMAC has a strong position in the luxury segment in Dubai but has been expanding steadily in recent years in other Middle Eastern markets like Qatar, Kingdom of Saudi Arabia, Lebanon, Jordan and in 2015 also in London (via DAMAC International). The Company does this selectively and in a disciplined manner by leveraging its brand equity and delivering attractive returns. DAMAC's luxury positioning was further consolidated through alliances with leading brands like Fendi Casa, Versace Home, Paramount Hotels & Resorts, and Bugatti, among others.

Geographical focus on growth markets

Dubai has always been our home market and it will remain so. DAMAC derives more than 90% of revenues from projects in the UAE. Dubai is the deepest and most developed real estate market in the Middle East therefore providing ample opportunities to realise value for all stakeholders.

DAMAC has selectively expanded in markets where there is strong demand for its products especially leveraging the DAMAC brand. The Company sees strong global demand for our products coming from the Indian sub-continent, Africa, Europe and increasingly from Asia. DAMAC signed two brokerage agreements with leading Chinese real estate agents to promote DAMAC and Dubai to this enormous market.

Dubai, as a modern metropolitan city with one of the world's best connections, sits at the forefront of the modern world with global connectivity. More than a third of the world's population is within a four-hour flight from Dubai while over two thirds of the world population is within an eight hour flight radius. This strategic "hub" location combined with world class facilities and infrastructure like Dubai International Airport, the new Al Maktoum International Airport, Port Rashid and the Jebel Ali Port has contributed to the magnificent growth Dubai has shown over the last few decades. Dubai has become a world-class place in which to live, work, do business and certainly as a new global holiday destination. These conditions are instrumental drivers of growth for our Company.

Dubai International Airport has become the world's busiest airport for international

passengers as it has recently surpassed London's Heathrow Airport. Visitor levels have been increasing steadily over the years and reached 14.26 million in 2015. The Government of Dubai aims to nearly double the number of visitors in 2020 to 25 million by the time it will host the much anticipated World Expo. At the same time the government maintains its strong focus on further improving the quality of the infrastructure by investing over US\$ 9 billion alone in 2015, with more to come. With growth in tourism and further population growth (around 5% annually in recent years) Dubai will continue its path to become a leading global metropolis.

Despite persistent global economic challenges the economy in Dubai had another year of steady real GDP growth in the region of 3-3.5% in 2015 with an IMF forecast for 2016 of 3%, which screens well

versus neighbouring countries but also large emerging markets like Russia and Brazil. The relatively lower reliance on oil and related industries, a more diversified economy and supportive business environment relative to neighbouring countries, combined with a budget surplus, despite continuous investments in upgrading the infrastructure, will benefit Dubai in the years to come. Interestingly, the IMF forecasted, in August 2015, that US\$ 13 billion will be added to the UAE's economy by the ending of sanctions on Iran. The expected growth in bilateral trade between now and 2018 is equivalent to a 1% gain in real GDP growth each year over the next three years.

Incremental demand estimates of
c 20,000 units pa in Dubai

Actual average annual supply for last 3 years is under
10,000 units pa

International property consultants' supply estimates ranges between **7,400 to 26,000 units in 2016**

Show villa at AKOYA by DAMAC



2015 was a year of further market consolidation and an extension of the trend which started in mid-2014. The Dubai government played an active role in cooling off what they perceived to be an overheated market using the monetary and fiscal tools at their disposal. Late 2013 the Dubai government implemented more stringent mortgage caps with the aim to prevent further aggressive price increases that had been witnessed in the 2012-2013 period. At the same time the property transaction fees to be paid to the government were doubled from 2 to 4%. These actions contributed to the development of a more measured and stable market. We feel this stabilisation is good for the overall industry from a long term sustainability perspective. Global macroeconomic challenges, namely the drop in the oil price, have also added a layer of uncertainty for potential real estate investors. All these factors led to a market in 2015 that went through a consolidation phase.

The majority of the reported pricing pressure was driven by older properties in the secondary market, as well as properties in weaker sub-areas that are not competitive, versus the new product that have been slowly coming to the market since 2014. Furthermore, we see that the majority of high volume new supply is located in edge-of-town master plan developments in the Dubai land area. This inventory is relatively cheaper per square foot than prime coastal areas like Palm Jumeirah, Business Bay / Downtown and Dubai Marina, which were in high demand in the 2011-2013 post-crisis recovery period. This mix shift has driven an arithmetically lower average price per square foot in the market, further fuelling rhetoric of a weaker market.

The bedrock of any market remains the fundamental supply / demand dynamic. Post crisis and since 2010, Dubai resumed its 5% per year population growth driving, our and most analysts' estimates of, a structural need for circa 20,000 new homes every year. In parallel the construction industry came to a standstill between 2009 and 2011 and

although increased levels of activity were witnessed as the market recovered, not much has been delivered since. Today the structural need for new housing has not been satisfied and Dubai continues to face a shortage of quality housing.

The return of economic activity and structural quality housing shortage means that rental yields in Dubai are among the highest in the world, reaching high single-digits, attracting investment demand. These favourable trends are also supported by a regulatory regime that has significantly increased the barriers to entry. Since their creation in 2008, RERA (Real Estate Regulatory Agency) and the DLD (Dubai Land Department), have turned the Dubai real estate market into one of the most secure and rational markets for real estate investors. We foresee new supply of around 10,000 new units coming to the market per year in the coming three years, as many previously announced projects are either postponed or simply cancelled. This is in line with recent market reports by major global third party agencies JLL, Cluttons, Unitas/REIDIN and Global Capital Partners, all of which also highlight the fact that actual deliveries are significantly lower than previously expected. JLL recently reported that only 7,800 units were ultimately delivered in 2015 (versus 25,000 initially expected) and materialisation rates in recent years hovered around 30-50%.

DAMAC views the current market situation in Dubai as an excellent opportunity to further solidify its position as one of the main developers of high quality real estate in a market with strong long-term fundamentals. Looking forward to 2016, the Company expect the above dynamics to drive a return to mid-single digit growth in the latter part of the year or early 2017.

Footnote: Market supply figures are based on reports from renowned international property consultants JLL and Cluttons.



PORTFOLIO FOCUS

DAMAC Properties stands apart from competitors through unique collaborations with international brands, bringing the best luxury lifestyle living concepts to its customers. From fashion icons, Fendi and Versace, to stylish Paramount Hotels & Resorts and golf communities with the Trump Organization and Tiger Woods, in addition to legendary brands such as Bugatti, DAMAC Properties is writing a new chapter in the real estate industry.



DAMAC PROJECTS IN DUBAI

COMPLETED

1. NAIA Downtown Jebel Ali
2. Lake View
3. Lake Terrace
4. The Waves
5. Marina Terrace
6. Ocean Heights
7. Executive Heights
8. Smart Heights
9. XL Tower
10. Business Tower
11. Park Towers
12. DAMAC Maison Dubai Mall Street
13. The Residences at Business Central
14. Emirates Gardens I
15. Emirates Gardens II
16. Tuscan Residences
17. The Crescent
18. Lago Vista
19. Park Central
20. Green Park
21. Madison Residences
22. DAMAC Maison The Vogue
23. DAMAC Maison Cour Jardin
24. DAMAC Maison Canal View
25. NAIA Breeze
26. NAIA Miracle Gardens
27. Executive Bay
28. Lakeside
29. NAIA Tenora
30. DAMAC Maison Upper Crest

IN-PROGRESS

31. AKOYA by DAMAC
32. DAMAC Maison The Distinction
33. DAMAC Heights
34. DAMAC Towers by Paramount
35. DAMAC Maison Bay's Edge
36. Royal Golf Villas
37. Paramount Tower Hotel & Residences
38. DAMAC Maison Privé
39. Ghalia
40. NAIA Vantage
41. Paramount Hotel Jumeirah Waterfront

IN-PLANNING PROJECT

42. NAIA Celestia
43. AKOYA Oxygen
44. DAMAC Maison Majestine
45. NAIA Capital Bay
46. Merano Tower
47. AYKON City
48. Central Square
49. Madison Residences II
50. Tuscan Residences II
51. Meydan
52. Parkside
53. Jumeirah Village Plot 1
54. Jumeirah Village Plot 2
55. Cultural Village



AKOYA BY DAMAC

A choice of luxurious lifestyles in the Beverly Hills of Dubai

AKOYA by DAMAC is a luxury lifestyle golf community development located within 30 minutes of the centre of Dubai, off the Umm Suqeim Expressway. The 42-million-square-foot development aspires to be the most luxurious golf community in Dubai, offering premium branded mansions, villas, townhouses and apartments, in addition to entertainment and retail facilities.

The AKOYA by DAMAC development, being built around the Trump International Golf Club Dubai, was named 'Best Golf Development' in the world at the International Property Awards in London, and continues to attract worldwide interest. DAMAC is working with a number of global brands on projects for AKOYA by DAMAC such as Paramount Hotels & Resorts, Fendi and The Trump Organization, each having

their own branded living concepts within the development.

The project also includes a private 4.3-million-square-foot park, which will be a first-of-its-kind development in the region. The exclusive villas are set within the grounds of a lush green open space reserved for the residents of the community.

AKOYA

by **DAMAC**



TRUMP
International Golf Club
DUBAI

TRUMP/PRVT

THE PARK/AKOYA

Paramount
DAMAC VILLAS
by Paramount Hotels & Resorts
DUBAI

FENDI STYLED VILLAS

Interior Design by **FENDI**
CASA

THE DRIVE/AKOYA



AKOYA by DAMAC is designed as a gated community of single-family mansions and villas surrounding a golf course owned by DAMAC.

Prominent features of its design include:

- The Trump International Golf Club Dubai, designed by Gil Hanse, together with a driving range and golf academy
- Single-family villas facing the golf course
- Townhouses
- Luxury high and low-rise units facing the golf course
- International schools from pre-school to secondary school
- A range of restaurants, supermarkets and other shopping and entertainment outlets set around a promenade named 'The Drive at AKOYA' that provides a complete village ambience to residents

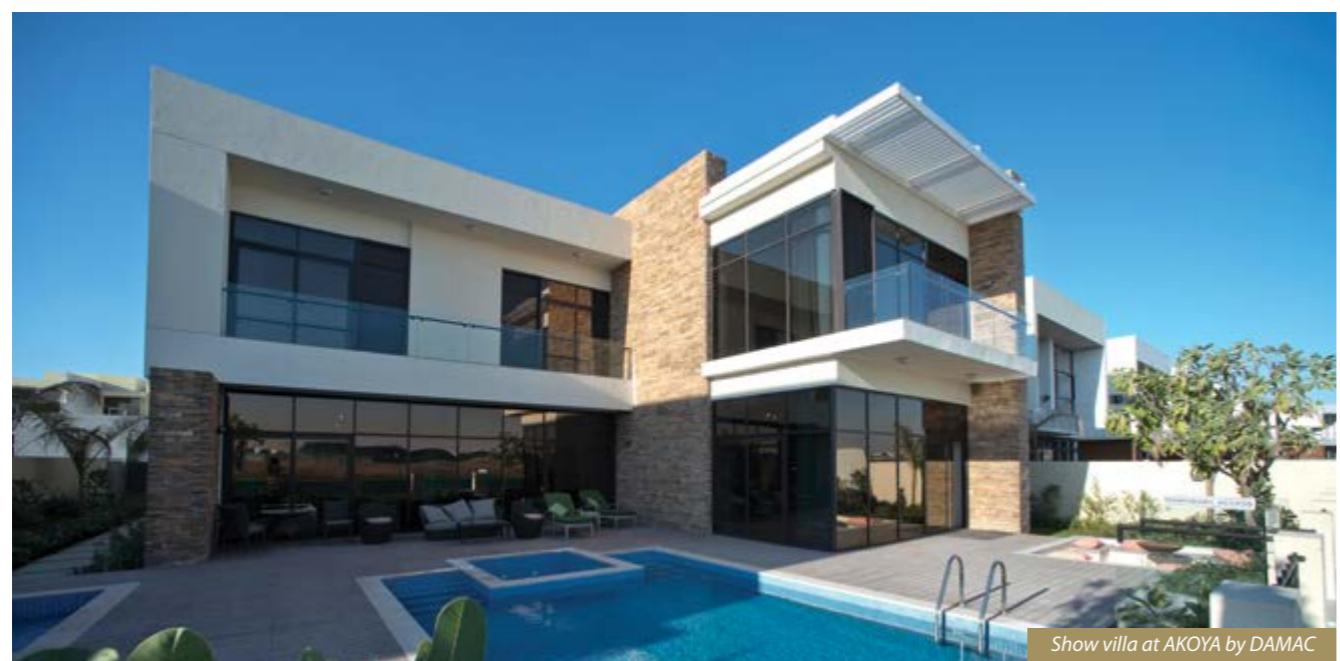
AKOYA by DAMAC is designed to contain a total saleable area of 17.3 million square feet and is scheduled for completion in multiple stages between 2015 and 2019. The first cluster of G+7 is already complete and residents will start moving in very soon.



Low-rise residences at AKOYA by DAMAC



Golfcourse at AKOYA by DAMAC



Show villa at AKOYA by DAMAC



AKOYA OXYGEN

The 55-million-square-foot project offers lush green escapism

Launched in 2014, AKOYA Oxygen is a 55-million-square-foot lush green development in Dubailand, presenting a tranquil community environment as an escape from the city. The whole ethos of the project is based around a 'green' concept; and the open spaces, amenities, gardens and water features set within are a key focus point – taking up approximately 50% of the land.

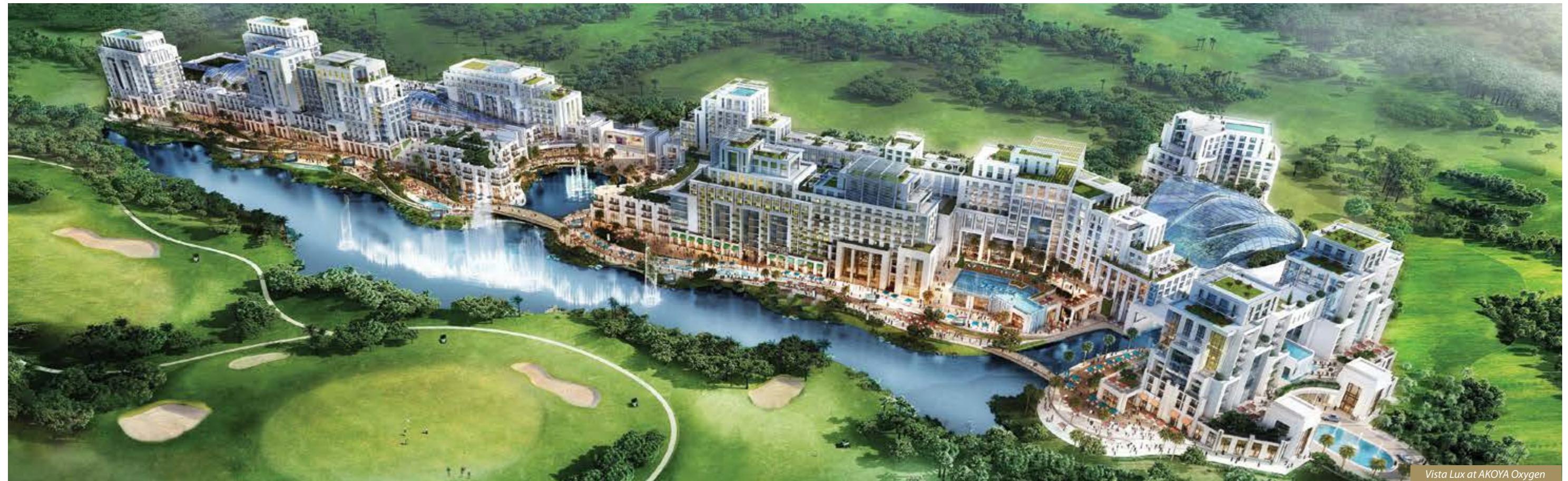
**AKOYA™
OXYGEN**



Bugatti Styled Villas



Villa options at AKOYA Oxygen



Vista Lux at AKOYA Oxygen

Located off the Umm Suqeim Road extension and around 15 minutes from AKOYA by DAMAC, AKOYA Oxygen will have an up-market resort feel. The development will include contemporary residential properties of various sizes surrounding an 18-hole championship golf course, along with an organic produce market, luxury wellness centre, outdoor yoga enclave and retail outlets featuring well known brands.

The Trump World Golf Club Dubai, which will run through the heart of the project, will

be managed by the Trump Organization – one of the most reputed names in golf course management, and designed by Tiger Woods, one of the most successful golfers in the history of the game.

It's AKOYA Oxygen's green living credentials that really set the development apart. AKOYA Oxygen offers low emission residences utilising recycled materials and solar energy, making it the first green luxury residential address in Dubai.

Homes will be built according to Dubai's Green Building Regulations &

Specifications with energy-efficient materials and low-emission paints and will incorporate energy efficient lighting and air conditioning, solar heated water systems and landscape irrigation. The road network within the development, meanwhile, is designed in a way to minimise pollution, while there will be dedicated spaces for bicycles and hybrid and electric cars.



DAMAC TOWERS BY PARAMOUNT HOTELS & RESORTS DUBAI

The striking towers overlook the popular Burj area

The DAMAC Towers by Paramount Hotels & Resorts complex comprises four towers stretching 250 metres high and will offer one, two and three bedroom luxury serviced branded apartments. Developed by DAMAC in collaboration with Paramount Hotels & Resorts, the project offers an ambience and reflection of Hollywood glamour and the 'California cool lifestyle' synonymous with Paramount Pictures over the past 104 years.

DAMAC plans to create a sophisticated Hollywood-inspired ambience and is selling units in three of the towers as luxury serviced branded apartments to be operated under its DAMAC Maison brand. In addition, one tower will contain a five-star hotel complex to be operated by Paramount Hotels & Resorts, which will have over 800 rooms. Hotel rooms are being sold under a management scheme.

DAMAC Towers by Paramount Hotels & Resorts will include exclusive access to landscaped and pool areas, numerous health facilities, on-site parking and numerous high-end dining establishments. The project has been designed to offer over 1,900 units (including the hotel) with a total saleable area of circa 2.0 million square feet.

DAMAC Towers by Paramount has an estimated sales value of US\$ 1.35 billion and is scheduled for completion in 2017.

The successful collaboration between DAMAC and Paramount was extended across various projects and in 2015, the two companies announced the launch of Paramount Tower Hotel & Residences.

This mega-project with a sales value of almost US\$ 500 million, will be strategically located on Sheikh Zayed Road in Dubai. With its Hollywood living concept and ambience, Paramount Tower Hotel & Residences will offer spacious work areas, atmospheric lighting and high-end digital presentation equipment.

The 65-storey tower comprises retail on



Lobby at DAMAC Towers by Paramount Hotels & Resorts

the ground floor, a hotel and residences, along with an array of signature Paramount Hotels & Resorts amenities for guests and residents alike.

Floors 15 to 36 will be dedicated to the Hotel, and will present a selection of beautiful hotel rooms, which not only offer an incredible experience for guests but also provide a very lucrative investment opportunity. Rooms will include a spectacular in-room home theatre and access to a library of Paramount films.

Floors 37 to 63 will form the residences and offer a collection of multi-bedroom luxury properties with wonderful views across the city.



Construction as of February 2016

DAMAC TOWER WITH INTERIORS BY VERSACE HOME

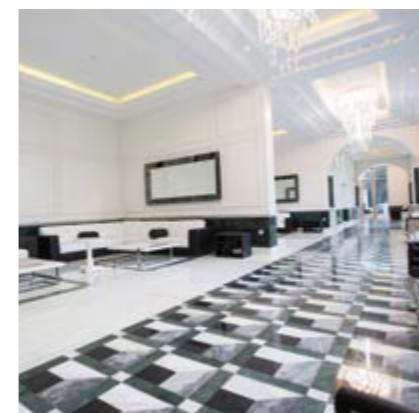
An iconic development in the heart of the Solidere district

Situated in Solidere, the downtown area of Beirut, Lebanon, DAMAC Tower with interiors by Versace Home, is a luxury residential project currently nearing completion. The private apartments will comprise fittings and fixtures provided by the Italian designer.

DAMAC Tower with interiors by Versace Home contains 188 units with a total saleable area of 0.3 million square feet and has a project sales value of US\$ 258 million and is scheduled for completion in 2016.

DAMAC Tower with interiors by Versace Home won the award for 'Best High-Rise Architecture in the World' at the International Property Awards, which is widely considered to be one of the most prestigious awards in the real estate industry.

DAMAC TOWER
interior design by
VERSACE
HOME



DAMAC HEIGHTS / DAMAC RESIDENZE

On the corner of Dubai Marina looking out over the sea and the Palm Jumeirah

DAMAC Heights is located in Dubai Marina overlooking the Palm Jumeirah. This project also has views the full length of Dubai Marina. This signature tower offers customers the opportunity to acquire a variety of one, two, and three bedroom apartments in Dubai.

The top storeys of DAMAC Heights have been allocated to DAMAC Residenze, with interiors by Fendi Casa. DAMAC Heights is designed to contain over 600 units with a total built up area of circa 1.5 million square feet and saleable area of 0.9 million square foot.



DAMAC RESIDENZE
DUBAI MARINA

Interior Design by **FENDI**
CASA



Construction as of February 2016



DAMAC ESCLUSIVA

Overlooking King Fahd road, DAMAC Esclusiva has an enviable location in Riyadh

DAMAC Esclusiva with interiors by FENDI Casa, is a 30-storey high-rise development in central Riyadh, Saudi Arabia, facing Kingdom Tower, providing more than 100 luxury serviced branded apartments. It will feature interior design and furniture by Fendi Casa. Given the style and privacy demanded by the ultra-high net worth customers whom the Company expects to be interested in this project, applications to purchase units in this tower are by invitation only.

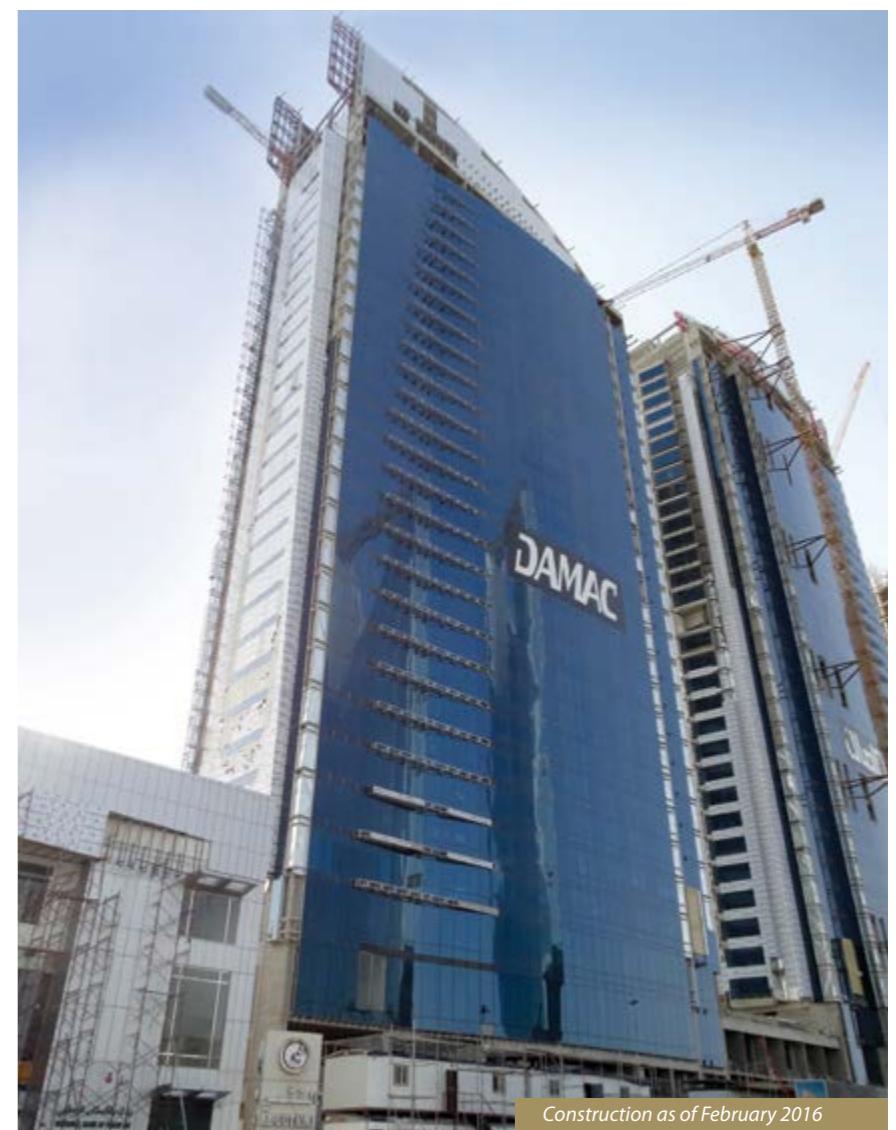
The Company's intention is for DAMAC Esclusiva to provide some of the most exclusive and luxurious high-rise residential units in Saudi Arabia.

In addition to providing a gymnasium, pool and spa facilities and high-end restaurants, DAMAC Esclusiva will offer a range of personalised services comparable to those provided by luxury hotels, including shopping and at-home chef services which will be provided by DAMAC Maison.

DAMAC Esclusiva is designed to contain 466 units with a total saleable area of 0.6 million square feet and has a project sales value of US\$ 335 million.

DAMAC ESCLUSIVA
RIYADH

Interior Design by **FENDI**
CASA



Construction as of February 2016

DAMAC MAISON HOTELS & RESORTS

A winning combination of the comforts of home with the service standards of the world's finest hotels

The hospitality arm of DAMAC Properties, DAMAC Hotels & Resorts operates five luxury serviced apartments projects under the brands DAMAC Maison and NAIA, and are ideally located in the heart of Dubai, serving families and business travellers throughout the year. More projects are set to open in 2016, adding to the current capacity of over 1,500 hotel rooms and suites.

Defined by sheer elegance and style, DAMAC Hotels & Resorts raises the bar for luxury hospitality in Dubai. Located in and around Downtown Dubai and Business Bay, DAMAC Hotels & Resorts provide the ideal settings for those who would like to live the ultimate Dubai lifestyle with the same comfort and practicality as they enjoy at home.



DAMAC MAISON
HOTELS & RESORTS



Residents of DAMAC Hotels & Resorts can choose from an indulgent array of treatments and packages at the spa. An oasis of tranquillity, it offers a variety of treatments each beautifully infused with the finest signature products by specialists Kerstin Florian and Rodial. The temperature-controlled swimming pools and the state-of-the-art gyms with superior TechnoGym equipment present another way to enjoy an energetic start to the day or to recharge at the end of it.

"A hotel room or apartment is a great investment into Dubai's flourishing property market."





3

BUSINESS REVIEW

Our performance over the year

DAMAC's people and organisational divisions

Risk management



OUR PERFORMANCE OVER THE YEAR

2015 saw record financial performance across various metrics and the listing of DAMAC on Dubai Financial Market. Dubai real estate remains an attractive investment destination with strong fundamentals.

State of Dubai real estate market

During 2015, the Middle East region went through a challenging geopolitical phase coupled with low oil prices. Challenging and uncertain macro conditions, along with volatile markets, certainly impacted sentiments and led to elongated investment decision cycles which impacted demand over the short term. However, the same proved to be a period of stabilisation for Dubai real estate. The pace of rapid growth in real estate prices witnessed during 2013-2014 started to cool down and remained stable for most of 2015. These are signs of a maturing and healthy real estate market over the medium to long term. Dubai is still seen as a safe haven and an alternative jurisdiction, for wealthy high-net-worth families to park their investments, from the rest of Gulf Cooperation Council (GCC) and other Middle Eastern countries.

2015 was again a year of lower-than-expected housing supply with less than 8,000 units handed over in the entire Dubai market. This has been largely in line with last three year average of approximately 10-11,000 unit supply pa. Demand continues to benefit from growing population, growing GDP and investment-led demand. The population sits just over 2.45 million people; a figure which is predicted to grow at a rate of 5% per year until 2020. Tourism in 2015 grew 7.5% to over 14.26 million overnight visitors. Dubai is well on track to meet its strategic vision of welcoming over 25 million visitors by 2020 at current growth rates.

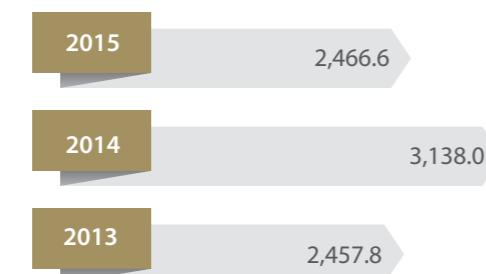
As per recent reports from Deloitte, despite decline in some of the performance metrics in Dubai's real estate market in the short term, real estate



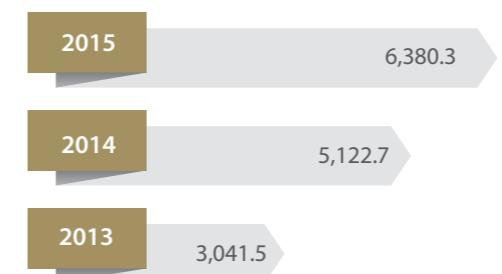
performance continues to be amongst the top global cities when taking a longer term investment view. Price growth in last four years reflects a CAGR of approximately 11.6%, which outperforms most other leading global cities.

Dubai continues to be an attractive destination for its strategic geographical location, world class infrastructure, a diversified economy with less reliance on oil, a multi-national population and established trade relations with leading foreign countries. The real estate sector, a large contributor to Dubai's diversified economy, will continue to be an attractive investment with strong long-term fundamentals.

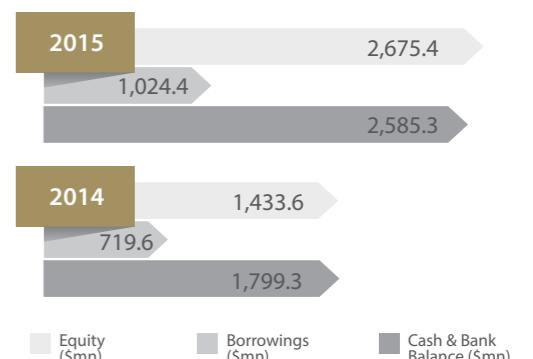
Booked sales (US\$ million)



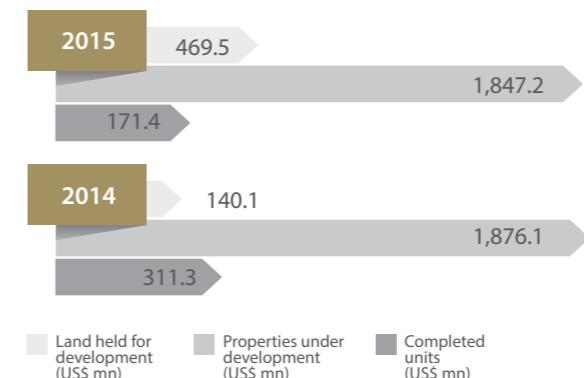
Total assets (US\$ million)



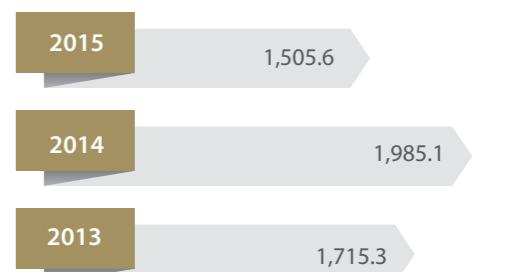
Equity and debt (US\$ million)



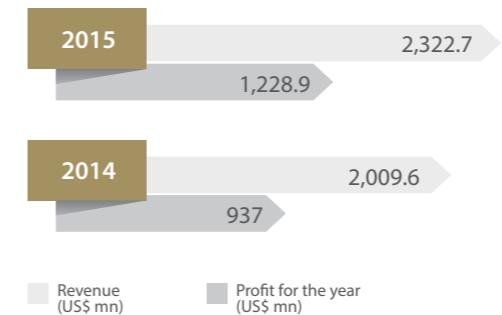
Development properties (US\$ million)



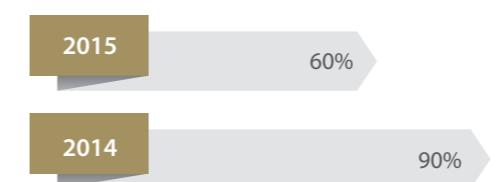
Advances from customers (US\$ million)



Revenue and profitability (US\$ million)

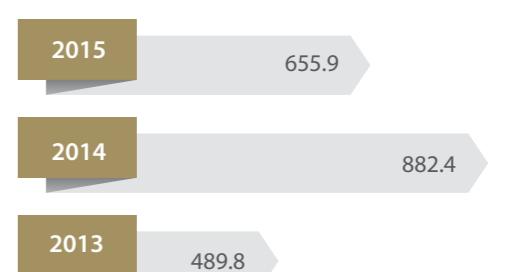


Return on equity (%)

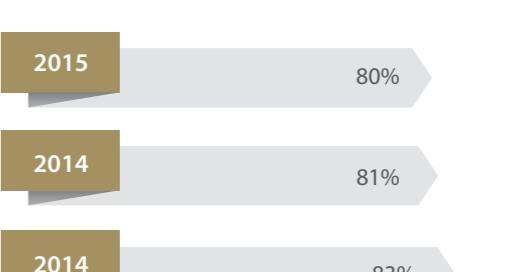


Based on average opening and closing equity balance.

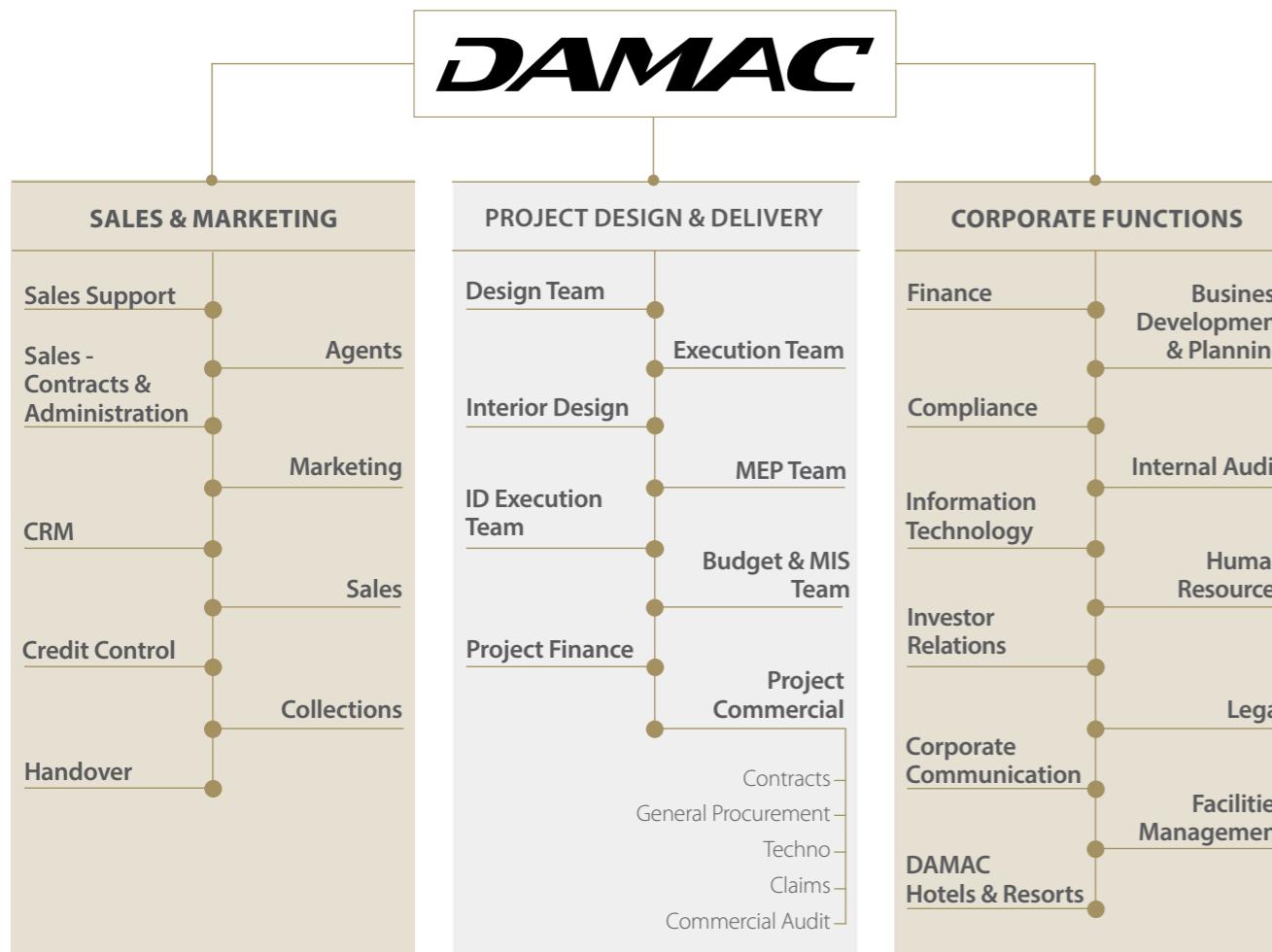
Cashflows from operations (US\$ million)



Cash and development prop as % of total assets (%)



DAMAC'S PEOPLE AND ORGANISATIONAL DIVISIONS



The number of DAMAC employees has grown significantly in the past years, from 433 at 31 December 2010 to over 2,200 as at 31 December 2015.

DAMAC'S PERSONNEL ARE ORGANISED INTO A NUMBER OF PRINCIPAL DIVISIONS, A SELECTION OF WHICH ARE AS FOLLOWS:



Customer Relationship Management

DAMAC has a comprehensive customer relationship management team to deal with all elements of a property purchase, from the initial payments and reservations through to the handover of keys on completion. The CRM team is also the first point of contact for any customer throughout the process and the team manages all requests. The team utilises the latest version of Oracle's industry standard eBusiness Suite ERP.

Sales

The sales team of over 700 is responsible for working with prospective clients to provide the best luxury living products for their needs. The team works from 12 global sales centres, with focus in Dubai, utilising current contact networks with support from the marketing team to identify and convert prospects. This is supported by a pro-active and extensive sales roadshow campaign which encompasses many countries from key target demographics. The team works with sales agents from around the world to provide information and support lead generation, but it is the sales person who is tasked with converting the identified potential customers into buyers.

Agents

The Agents department serves as dedicated point of contact for all agents

and real estate brokers selling DAMAC projects. They are involved in the documentation to release commission and are instrumental in speeding up the commission payout cycle to the agents. They maintain healthy relationships with the existing broker network which is integral to DAMAC project sales and seek for new business development opportunities of enrolling new agents in existing and newer geographies.

Marketing

DAMAC's marketing talks to potential buyers in their home countries, utilising a 360-degree approach, through online and social media, in addition to more traditional TV, print and outdoor advertising. DAMAC prides itself on a strong in-house team of professionals that can quickly respond to market dynamics and capitalise on opportunities in many countries. The Company also has a strong face-to-face presence in the most popular tourist areas of Dubai; from the Dubai International Airport through to Dubai's busiest shopping malls. The new technology implemented allows the leads team to quickly qualify and convert potential clients during the meeting on the various stands. DAMAC has a strong

presence too through sales roadshows in countries including India, Pakistan, China, the United Kingdom, and across the GCC, as well as Dubai. These activities are supported by a proactive database marketing campaign through a pre-qualified list of around 250,000 contacts.

This is supported by a strong social media presence, which provides access to our core audience while they are in their home countries. DAMAC's Facebook page now includes more than 300,000 fans and is supported by communication across Twitter and YouTube. Contacts and potential leads are driven to the Company website – www.damacproperties.com – which saw more than 1.5 million visitors in 2015. DAMAC Properties has also continued its strong awareness programme across Dubai, with powerful outdoor advertising in key locations, primarily on the routes from the airport to the top tourist destinations.

Sales Contract and Administration

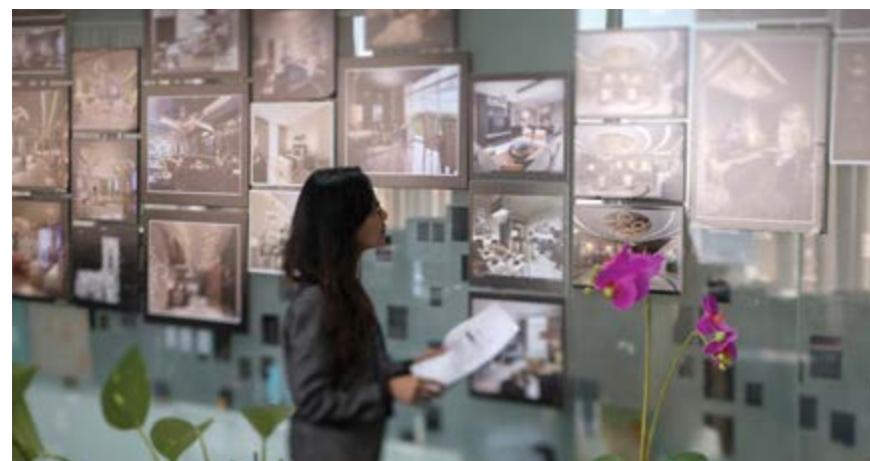
Our Sales Administration department is in charge of the internal system of managing units from the moment a project is launched using state-of-the-art information systems and supports the sales team by blocking sold units to avoid multiple bookings; and releasing units to available-for-sale inventory to our sales network. Prevention of multiple bookings of the same units is necessary to avoid customer litigation. It also monitors the base selling price across projects and supports senior management in pricing decisions. It updates customer collections in the system and flags delays in payments from customers to collection department. The Sales Contract department is responsible for seeking all relevant documentation from customers for unit registration and issuing sale purchase agreements.

Credit Control

Credit Control is responsible for monitoring the collection progress for off-plan sales from DAMAC buyers across all of its projects. It triggers the raising of invoices to customers and liaises with them for payments into escrow accounts.

Project Management

Nearly 500 staff members are part of the Project Management division, tasked with the smooth development of the Company's projects. This includes the



full procurement processes, working with contractors and sub-contractors on staffing and supply lines to ensure a smooth flow of delivery.

The team also includes an expert design team, which works with outside consultants to deliver iconic and stunning projects, which also meet the needs of buyers and use the optimum space requirements to drive the best from the gross floor area. In addition, the team ensures flexibility in the designs to allow for changes throughout the process to better serve customer needs based on market dynamics.

Business Development & Planning

The Business Development team at DAMAC work to source the best available land at the right price and the right time, to ensure DAMAC has a consistent flow of new projects to bring to market. The team has an unrivalled understanding of the market conditions and combines this with an extensive contact database ensuring the very best land plots for the Company.

Business Planning is responsible for benchmarking, setting up entity-wide performance parameters and performance-monitoring across the spectrum of business functions, sales and CRM operations, projects execution, manpower planning and other support functions of the organisation. It integrates all business functions to produce intelligence for the senior management team and is also responsible for business automation to improve organisation-wide efficiencies.

Human Resources

DAMAC's Human Resources division comprises three teams: talent acquisition; training; and human resources. The day-to-day activities of this division typically encompasses global recruitment, running induction programmes, visa processing, performance management and administration. Training and development of staff is a core principle of the business as the Company has grown over the years. The training and development department has also expanded to train and enhance the skill sets of employees. This includes a comprehensive induction and education programme covering not only product information on DAMAC's portfolio, but also a comprehensive understanding of Dubai's market dynamics and the attraction of the emirate in general.

Information Technology

DAMAC's in-house IT team is responsible for maintaining a secure, fast and efficient technology service to all departments and employees to enhance workflow and efficiency. This covers the research, purchase and implementation of the

latest software to keep DAMAC at the forefront of efficiency and service in addition to providing day-to-day proactive maintenance of current systems and hardware.

Legal

DAMAC has a comprehensive in-house legal team, which works to promote and defend the Company's best interests. This can cover all elements, from contractual agreements with brand partners, land acquisition, customers, through to data protection in addition to ensuring a tight legal framework relating to the Company's obligations to the stock market and disclosure.

Corporate Communications

DAMAC's Corporate Communications division is responsible for all the day-to-day in-house and external communications relating to the Company. The team works with a wide array of local and international press and broadcast media to ensure a consistent positive message flow. The department is also charged with all brand management, reputational risk, investor relations, annual reporting, regulatory

filings, CSR, crisis communications and speech writing. The team works closely with DAMAC's brand partners, including Versace, Fendi, Paramount Hotels & Resorts, The Trump Organization, Bugatti and Tiger Woods Design.

Investor Relations

DAMAC's in-house investor relations team is responsible for handling all interactions with shareholders, analysts, investors and potential investors as well as other capital markets community members. This includes analyst and investor roadshows, attending investor conferences across the globe, along with financial public relations. DAMAC is also a member of Middle East Investor Relations Society (MEIRS).



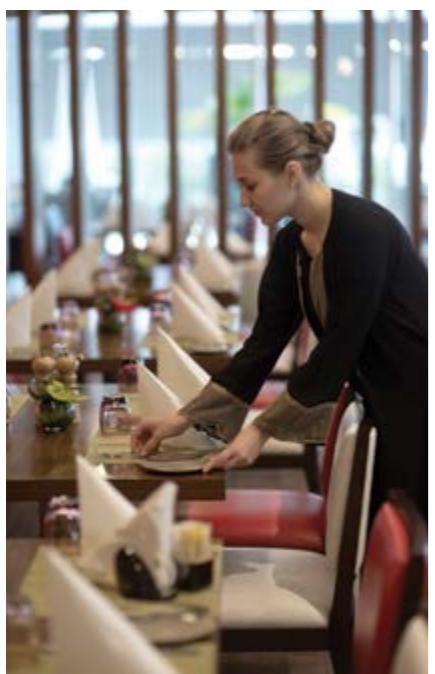
Facilities Management

DAMAC's 'Luxury Facilities Management LLC' is in charge of facilities management in several of DAMAC Properties' iconic buildings, including The Waves, Ocean Heights, and Park Towers, amongst others.

Over recent years, the team has won several awards and accreditations, including three of the most important ISO certifications, covering 'Quality Management System', 'Occupational Health & Safety Management System', and 'Environmental Management System'.

This team is responsible for providing both owners' association services – as required by law for jointly owned developments – and general facilities management services for the common areas of DAMAC's completed projects.

This includes the negotiation of supplier & maintenance contracts, preparation of an annual budget, undertaking building maintenance (either in-house or by outsourcing to third parties), dealing with routine insurance matters, and providing accounting services, such as invoice payments, account management and general secretarial services.



Compliance

The Compliance role is to ensure and oversee the regulatory compliance with the Commercial Companies Law, Corporate Governance Regulations and Listing & Disclosure Rules issued by relevant regulatory authorities.

DAMAC Hotels & Resorts

A rapidly-expanding division within DAMAC is the DAMAC Hotels & Resorts team. Comprising a current staff of more than 350, the team is responsible for the day-to-day management and running of the Company's serviced hotel apartment projects, including DAMAC Maison Dubai Mall Street, DAMAC Maison Cour Jardin, DAMAC Maison Canal Views, DAMAC Maison The Vogue and NAIA Breeze. The team of experienced hoteliers provide all the requirements of an up-market hotel from concierge, front of house, cleaning, and maintenance, through to F&B and spa services.

Internal Audit

DAMAC's Internal Audit department is responsible for the independent assessment of the risk, governance and internal control processes within the organisation and works to add value to it by helping to improve systems and



RISK MANAGEMENT

Risk Management is an integral part of DAMAC's business culture whether at a strategic level or at operational level. Through proactive risk management, which supports DAMAC's business objectives, value is created and preserved.

DAMAC recognises that risk management is about opportunities as much as threats. To capitalise on opportunities, DAMAC has to take risks. Therefore, risk management is not about pursuing risk minimisation as a goal but rather optimising the risk-reward relationship, within known and agreed risk appetite levels.

With the continuing efforts of the Board, the management and the staff, the Company has established a complete and effective operating risk management and internal control system. The risk management approach is based on a clear understanding of the variety of risks that the Company faces, disciplined risk monitoring and measurement, continuous risk assessment and implementation of mitigation measures.

1. MARKET RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
The majority of DAMAC's projects are located in Dubai, which could result in concentration risks	<ul style="list-style-type: none"> Dubai is an attractive real estate investment location for buyers across the globe. The Dubai economy has lesser dependence on oil and government plans to increase state spending by 12% in 2016 as it invests in infrastructure to sustain economic growth. Dubai is scheduled to host mega event Expo 2020, which will act as a catalyst in the near future Regulators and real estate regulations in Dubai aims to promote and maintain a healthy real estate market over the longer term, reduce speculations and safeguard developers' as well as consumers' interests At DAMAC, we continuously explore new territories and geographies, which are customer led, have the ability to scale up and will provide us growth opportunity in future. We entered London's real estate market through a joint venture in 2015
DAMAC's business is dependent upon the wealth of domestic and international property purchasers and investors. This can lead to sales and related risks	<ul style="list-style-type: none"> Growing population, influx of expatriates, growing GDP and rising employment levels creates structural demand for housing in Dubai. Dubai's completed housing supply has increased at 2.4% pa over the last three years, ending 2015 as opposed to population growth estimates of 5% pa over the same period. Dubai housing stock is estimated to be 456K units as at the end of 2015 High rental yields continue to attract investment-led demand We have a strong in-house sales force, which helps us exclusively sell DAMAC projects, in addition, we also extensively use broker network and have access to a huge customer database. We host frequent sales events and roadshows in various cities and countries across the world to attract buyers to the Dubai real estate market (in 2015 we conducted almost 500 events in 100 cities)

NATURE OF RISK	HOW WE MANAGE THE RISK
Political instability in Middle East, impact of lower oil prices have heightened the social, economical and geo-political risks	<ul style="list-style-type: none"> Dubai is seen locally as a safe haven for individuals from the rest of the Gulf Cooperation Council (GCC) and other Middle Eastern countries, but also, increasingly as an alternative jurisdiction for wealthy high-net-worth families and their investments from around the world Dubai is politically more stable than its GCC peers. His Highness Sheikh Mohammed bin Rashid Al Maktoum recently completed 10 years as ruler of Dubai. Under his visionary leadership, Dubai has transformed itself on a global landscape and has grown in popularity as a leading business, residential and travel hub
Real estate is an attractive industry and may attract competition from existing and new players	<ul style="list-style-type: none"> Real estate in Dubai is highly regulated with barriers to entry as moderate to high DAMAC has built its brand and delivered over 15,500 units over the past 13 years. It is one of the trusted real estate brands in UAE. Our industry-leading margins are attributable to our efficiency in executing our projects We welcome competition as it keeps the market healthy and gives buyers choice to make an informed decision among various available alternatives
Expansion into new markets can be challenging due to lack of familiarity with the culture and economic condition of new markets	<ul style="list-style-type: none"> Outside the UAE, DAMAC has already completed and delivered projects in the Kingdom of Saudi Arabia and Qatar. These are our two primary markets outside the UAE, which meet DAMAC's criteria of a high growth economy with demand for luxury products London is a global city. DAMAC is exploring the market as a minority partner in a joint venture entity undertaking, AYKON Nine Elms London project
Inability to replenish land bank threatens going concern ability	<ul style="list-style-type: none"> DAMAC carefully and continuously evaluates its land bank portfolio. Prudent land purchases are made to replenish the depleting land inventory, at freehold locations, and at reasonable prices to ensure the financial viability of a project The government owns the majority of the land in Dubai, and sales of land are one of the major sources of revenue for it The management is dynamic and adjusts to the market environment to create products in line with prevalent demand conditions





2. PROJECT RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
Execution risk can result in projects under development to be delayed, suspended or terminated	<ul style="list-style-type: none"> DAMAC's management ensures compliance with all development regulations and meeting with customer expectations alongside maintaining the quality of our developments We engage world class contractors, and sub-contractors with demonstrated ability to execute and continuously monitor their progress to abide by project timelines and delivery schedules Financially, we aim to cash de-risk a project by sufficient off-plan sales and cash collections as early as possible in project lifecycle. This helps in avoiding any funding constraint for development of the project
No prior experience of being a master developer. AKOYA by DAMAC is the first lifestyle community development by DAMAC spanning over 42million square feet.	<ul style="list-style-type: none"> Execution progress on AKOYA by DAMAC is on track as planned. Many project milestones have been met within the set deadlines. The project was launched for off-plan sales in June 2013 and our first set of apartment handovers / deliveries has commenced Our progress and experience in AKOYA by DAMAC helped us in seeking another 55-million-square-foot development, AKOYA Oxygen. We launched this master development for off-plan sales in August 2014, less than a month from its acquisition date, which is reflective of our in-house capabilities
DAMAC depends on third party contractors' and sub contracts to deliver the projects	<ul style="list-style-type: none"> Contractors are thoroughly screened before and during the engagement process DAMAC's in-house technical team of nearly 500 people oversee all contractors to ensure timely delivery Contractors' operation and their working practices are supervised and monitored regularly by senior management Agreements with contractors enable us to retain 5-15% of the 'work done amount', which is held for one year after the completion of a project until the defect liability period has passed
Brand associations – DAMAC has launched various co-branded residences across projects. Inability to maintain relationships might impact the project	<ul style="list-style-type: none"> DAMAC has launched many co-branded residential units with various global luxury brands and is not dependent on any single brand Branded units constitute a small percentage of overall DAMAC project pipeline We have managed relationships with multiple brands and have had successful follow-on launches with some of the brand like Paramount and Versace. We expect to continue doing the same

3. FINANCIAL & LIQUIDITY RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
Credit risk – DAMAC mainly follows an off-plan sales approach; risk of customers defaulting is high	<ul style="list-style-type: none"> Collection of installment payments from purchasers; our collection policy results in significant upfront payment from customers thus minimising risk of default Large and diversified customer base results in low concentration of credit risk. Dubai regulations allow developers to retain a significant portion of consideration in the event of default by customers Title deeds on sold properties are only transferred when all payments are made
Leverage – excessive use of debt and inability to service debt commitments	<ul style="list-style-type: none"> DAMAC intends to use debt to maintain an efficient capital structure. Debt is utilised to fund project acquisition and other corporate purposes. The majority of debt currently on our balance sheet is due for repayment in April 2019 We have always maintained a net cash position since 31 December 2012. As at 31 December 2015 we have gross debt of US\$ 1,024 million and a cash and bank balance of US\$ 2,585 million We generate healthy operational cashflows to timely service our debt and financing commitments
Foreign exchange risk – foreign exchange fluctuations pose a risk in a volatile exchange rate environment	<ul style="list-style-type: none"> The Company has some projects in other Middle East countries apart from the UAE but the majority of the Company's revenues, costs and capital expenditure are either priced, incurred, payable or otherwise measured in (UAE Dirhams, US\$).
Cash flow constraints – insufficient cash to fund project development	<ul style="list-style-type: none"> DAMAC complies with all development regulations, including escrows rules. The construction components of the developments are mainly funded by customer advances Management periodically reviews cash flow and commitments on each project on its individuality and totality basis. It seeks to cash de-risk a project / phase from a construction cost perspective before launching a new phase / project Management also forecasts cash flows and uses optimum debt to bridge the timing gap and to meet working capital requirements
Inability to pay deferred consideration for land payments and other contractual commitments	<ul style="list-style-type: none"> The majority of the DAMAC land bank is fully paid up. Most of the deferred consideration for land payment is towards the lifestyle communities under development Currently we are running ahead of our agreed payment schedule as we have released more land than planned initially to cater to our sales velocity and requirements Contractual commitments are structured whereby exits are negotiated at comfortable / manageable levels





CORPORATE GOVERNANCE

Board of Directors

Corporate governance

Statement of Directors' responsibilities

Shareholder information

BOARD OF DIRECTORS

DAMAC's Board has more than 100 years of expertise and knowledge in international luxury real estate development.



Mr Hussain Sajwani

Chairman and Executive Member

Hussain Sajwani founded the DAMAC Group in 1992 in its predecessor form and has served as the Group's Chairman and CEO since its establishment in its current form in 2002. With operations in more than 20 countries, the company is the parent of diversified businesses stretching across several industry sectors, including property development, manufacturing, food and catering, and investments.

Since the formation of DAMAC's property company in 2002, Mr. Sajwani has served as Executive Chairman.

Listed among the 100 most globally influential Arabs, he has proven his capability to transfer business vision into corporate reality and to provide leadership that is necessary to maintain continuity and growth. An Industrial Engineering & Economics graduate from the University of Washington, Mr. Sajwani started his career in GASCO, a subsidiary of ADNOC (Abu Dhabi National Oil Company). After a short period, he established his own catering company. From modest beginnings, the catering company grew from strength to strength, and today is a market leader in a number of markets, including the Middle East, Africa and the CIS.

As an astute businessman and investor, Mr. Sajwani has a proven track record in the global equity and capital markets. His foresight and investment acumen led him to establish DAMAC Invest. The company currently holds investments in a number of global markets, including the Bahrain-based, public-listed Al Ahlia Insurance Company; Al Jazeira Services Co. and Al Anwar Ceramic Tiles Co, both listed on the Muscat Securities Market; and Al Amana Building Materials, based in Oman.

Mr. Sajwani sits on the Boards of various regional companies.



Mr Farooq Arjomand

Vice Chairman and
Non-Executive Independent Member

Mr Arjomand received his Bachelor of Business Administration (BBA) from Seattle Pacific University in the United States in 1984. He started his career as a banker at HSBC in 1985 and gained extensive experience of private banking, corporate finance, trade services and investment banking. Mr Arjomand founded the Arjomand Group of companies in 2000. The Group conducts various activities including real estate, manufacturing, trade, financial activities and aviation across the GCC, Asia, Europe and the US. Mr Arjomand is also a board member of Al Ahlia Insurance Company BSC, Bahrain.



Mr Adil Taqi

Group Chief Financial Officer and
Executive Member

Mr Taqi graduated with a Bachelor of Science in Mathematics-with-Engineering in 1993 from the University of Nottingham in the UK and received an executive MBA in 2004 from IMD in Switzerland. He is also an associate and member of the Chartered Institute of Management Accountants in the UK. His experience covers both emerging and developed markets including the MENA region and the United Kingdom. In addition to being the Group Chief Finance Officer, Mr Taqi heads up the Business Development Team managing all of DAMAC's real estate investments. Prior to joining DAMAC in 2006, Mr Taqi held various senior management roles in Omani banks and financial institutions. Mr Taqi is currently on the board of a number of high profile private and public companies in the MENA region including Al Anwar Ceramics Tiles Company SAOG and Al Jazeira Services Co SAOG.



Mr Ziad El Chaar

Managing Director and
Executive Member

Mr El Chaar graduated with a Bachelor of Science in Biology in 1990 and received a Master of Business Administration in 1998 from the American University of Beirut. From 1993 to 2005, he worked for Fattal Holding, which is the largest distribution and representation company in the Levant (Lebanon, Syria, Jordan and Iraq). From 1997 to 2001, Mr El Chaar was General Manager in Syria for the same company during which time he turned the sales and distribution parts of the business in Syria from loss-making to profit-generating within three years. From 2001 to 2005, Mr El Chaar was Group Executive Director of Fattal Holding and remained on the board of that company until 2008. He joined DAMAC in 2005 as Vice President of International Sales, became International General Manager in 2006, and remained in that role until the beginning of 2009 when he became General Manager of Operations. Since the beginning of 2011, Mr El Chaar has been DAMAC's Managing Director.



Professor John Wright

Non-Executive Independent Member



Mr Ayalur Subbaraman

Non-Executive Independent Member



Mr Yahya Nooruddin

Non-Executive Independent Member

Professor Wright was educated at Daniel Stewarts College, Edinburgh. Professor Wright is an associate and fellow of the Chartered Institute of Bankers in Scotland and a fellow of the Chartered Institute of Bankers in Ireland. Professor Wright's career in commercial banking spans over 43 years and includes assignments in the UK, India, Sri Lanka, West Africa, Canada, Hong Kong and the United States. Prior to Professor Wright's retirement in 2001 he held positions as: Chief Executive and Director of Clydesdale Bank PLC and Yorkshire Bank PLC; Chief Executive and Chief General Manager of Gulf Bank KSC, Kuwait; Chief Executive and Director of Northern Bank Limited, Belfast and Northern Bank Limited, Dublin as well as a Director and Chief Executive Officer of the Oman International Bank. Currently Professor Wright holds the position of a Non-Executive Director (including the roles of Chairman and Chair of the Audit Committee) across a number of industries, including banking, retail, manufacturing, information technology and trusts, including amongst others, roles with Butterfield UK Limited, Boomer Industries Limited, XM International Associates Limited, European Islamic Investment Bank Limited, Alsbridge Plc, the Arab Financial Forum and Borders College. Professor Wright is also a visiting professor at Heriot-Watt University Business School.

Mr Subbaraman received a Bachelor of Technology (Chemical Engineering) from the Indian Institute of Technology – Madras in 1976, and a Post Graduate Diploma in Management (Financial Management) from the Indian Institute of Management – Bangalore in 1978. He is currently the Group General Manager of the Abu Hani Group in Muscat, Oman. Mr Subbaraman has been a leader of strategic and operational teams in the Middle East region since 1989. His career spans over 36 years of senior-level executive experience across varied industries and markets and has included senior positions as the CEO of Oman Filters Industry Co (SAOG), as the General Manager of Oasis Water Co LLC in Oman, and as the General Manager of Muscat Manufacturers Co for Industrial and Cooking Gases.

Mr Nooruddin has over 20 years' experience in local and regional financial markets with a proven track record of building organisations and leading them to the forefront of their respective industries. He holds academic and professional degrees in the areas of marine engineering, law and financial management.

Mr Nooruddin is currently the Chief Executive Officer of t'azur, which provides Family and General Takaful products for individuals and businesses. Prior to joining t'azur Insurance Company, he served 12 years as Chief Executive Officer of Al Ahlia Insurance Company. Mr Nooruddin's first professional role was as a Marine Engineer from 1977 to 1988.



CORPORATE GOVERNANCE

DAMAC acknowledges the importance of good governance and follows the corporate governance best practices in compliance with the Ministerial Resolution No 518 of 2009 concerning governance rules and corporate discipline standards ('Corporate Governance Code') issued by the Securities and Commodities Authority ('SCA').

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

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

1. Audit Compliance and Risk Committee ('ACR Committee')

2. Nomination and Remuneration Committee ('N&R Committee')

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

During 2015 the following meetings took place:

- The Board – 07 meetings
- Audit Risk and Compliance Committee – 04 meetings
- Nomination and Remuneration Committee – 01 meeting

The Board meetings were held once every two months in the year 2015. Board and Board Committee meetings had majority attendance by members' participation.

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

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



DAMAC's Board of Directors meet regularly throughout the year

Board constitution and procedures

The Board comprises seven members, of which four are Non-Executive Directors and three are Executive Directors:

Name	Board position
Mr Hussain Sajwani	Chairman and Executive Member
Mr Farooq Arjomand	Vice Chairman and Non-Executive Independent Member
Mr Ziad El Chaar	Executive Member
Mr Adil Taqi	Executive Member
Prof John Wright	Non-Executive Independent Member
Mr Ayalur Subbaraman	Non-Executive Independent Member
Mr Yahya Nooruddin	Non-Executive Independent Member

Biographies of the Board members can be found on pages 56-58.

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

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

This enables Board members to be appraised on financial and operational performance and make informed decisions on issues under consideration.

An internal audit function provides independent, objective assurance over the complete control framework that reports to the Chairman of the Group and the Chairman of the ACR Committee.

It also has direct access to all executive members and in particular the Chairman.

The Board has established two key committees, each with clearly defined terms of reference, responsibility, procedure and power.

Audit Compliance and Risk Committee

The Board of Directors has constituted a committee of the Board known as the Audit, Compliance and Risk Committee

('ACR Committee'). The ACR Committee comprises the following Board members.

S.N.	Name	Role	Capacity
1.	Mr John Wright	Chairman	Non-Executive / Independent Director
2.	Mr Farooq Arjomand	Member	Non-Executive / Independent Director
3.	Mr Yahya Nooruddin	Member	Non-Executive / Independent Director



DAMAC Maison Upper Crest



Aykon Nine Elms, London

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

- a) Develop and apply the policy for appointment of the external auditors and make a report to the Board to set forth the issues in respect of which an action shall be adopted together with recommendations on necessary to-be-adopted steps;
- b) Follow up and oversee the independence and objectivity of the external auditor and hold discussions with the external auditor on the nature, scope and efficiency of auditing pursuant to approved audit standards;
- c) Oversee the integrity of and review the Company's financial statements and annual, semiannual and quarterly reports in the course of its operations during the year and shall, in particular, focus on:
 - i. any changes of accounting policies and practices;
 - ii. highlighting matters that are subject to the management's judgement;
 - iii. material amendments emerging out of auditing;
 - iv. assumption of the Company's going concern;
 - v. adherence to the accounting criteria set by the Authority; and
 - vi. adherence to listing and disclosure rules as well as other financial reporting legal requirements;
- d) Co-ordinate with the Board, the executive management and the financial manager or the manager assuming the same duties in the Company in order to duly fulfill its duties. The Committee shall hold a

- meeting with the Company's external auditor at least once per annum;
- e) Consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the Compliance Officer, the Risk Officer or the external auditor;
- f) Review the Company's financial control, internal control and risk management systems;
- g) Lay down the scope of and review the findings and suggestions of the Compliance Officer and suggest appropriate corrective measures to the management of the Company;
- h) Lay down the scope of and review the findings and suggestions of the Risk Officer and suggest appropriate corrective measures to the management of the Company;
- i) Discuss the overall internal control system with management and make sure that it fulfills its duty to develop an effective internal control system;
- j) Consider findings of main investigations into internal control issues to be assigned thereto by the Board or at the initiative of the Committee upon the approval of the Board;
- k) Ensure co-ordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body;
- l) Review the Company's financial and accounting policies and procedures;
- m) Review the mission and action plan of the external auditor and any material inquiries raised by the auditor to the management in respect of accounting records, financial accounts or control systems, respond thereto and approve them if required;
- n) Make sure that the Board responds on a timely basis to inquiries and material issues raised in the external auditor's mission;
- o) Develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations;
- p) Oversee the scope of the Company's compliance with its code of conduct and conflict of interest by the Board members and management of the Company;
- q) Ensure application of the rules of operation in connection with their duties and powers assigned thereto by the Board.
- r) Make a report to the Board on the issues set in this clause;
- s) Consider any other issues as the Board may determine.

The ACR Committee met four times during the year 2015, the minutes of the meeting were recorded and approved. The Chairman of the ACR Committee periodically presents its report on the outcome of the ACR Committee to the subsequent Board meeting held after each ACR Committee meeting and provides recommendation on periodic financials and other matters.

Nomination and Remuneration Committee

The Board of Directors has constituted a committee of the Board known as the Nomination and Remuneration Committee. The N&R Committee is comprised of the following Board Members:

S.N.	Name	Role	Capacity
1.	Mr Farooq Arjomand	Chairman	Non-Executive / Independent Director
2.	Mr Ayalur Subbaraman	Member	Non-Executive / Independent Director
3.	Mr Yahya Nooruddin	Member	Non-Executive / Independent Director

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

- i. Verification of the ongoing independence of Independent Board Members.
- ii. Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to Board members and employees of the Company and the committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance.
- iii. Determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection.
- iv. Formulation, supervision of application and annual review of the Company's human resources and training policy.
- v. Organisation and follow-up of the procedures of nomination to the membership of the Board in line with applicable laws and regulations as well as this Resolution.
- vi. To develop a policy for nomination for Board membership aimed at observing diversity of genders in the Board formation and encouraging females to nominate for the Board membership of the Company.
- vii. Arrange for periodic reviews of its own performance and, at least annually,

system which provides assurance of effective and efficient operations, accurate financial reporting and compliance with applicable laws and regulations including Ministerial Resolution No 518 of 2009 on the Principles of Governance and Criteria.

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



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

In preparing the financial statements the Directors are required to:

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

Approved by the Board of Directors and agreed on behalf of the Board on 10 February 2015

Mr Hussain Sajwani

Chairman



Mr Adil Taqi

Group Chief Financial Officer




SHAREHOLDER INFORMATION

A. UPCOMING GENERAL MEETING OF DAMAC PROPERTIES DUBAI CO PJSC

Date	19 April 2016
Venue	THE WESTIN DUBAI MINA SEYAH BEACH RESORT
Time	5-7 pm

B. TICKER AND CODES OF DAMAC PROPERTIES DUBAI CO PJSC

DAMAC equity shares are listed on Dubai Financial Market (DFM). As on 31 December 2015, DAMAC has 6,050 million authorised, issued and fully paid shares of AED 1 each.

DFM Code	DAMAC
Bloomberg Ticker	DAMAC UH
Reuters Ticker	DAMAC.DU

DAMAC Sukuk certificates are listed on Nasdaq Dubai and the Irish Stock Exchange under the name of Alpha Star Holding Limited. As at 31 December 2015, DAMAC has US\$ 650 million-worth of listed Sukuk certificates outstanding. These were issued in April 2014 with a five-year tenure and 4.970% pa coupon payable semi-annually.

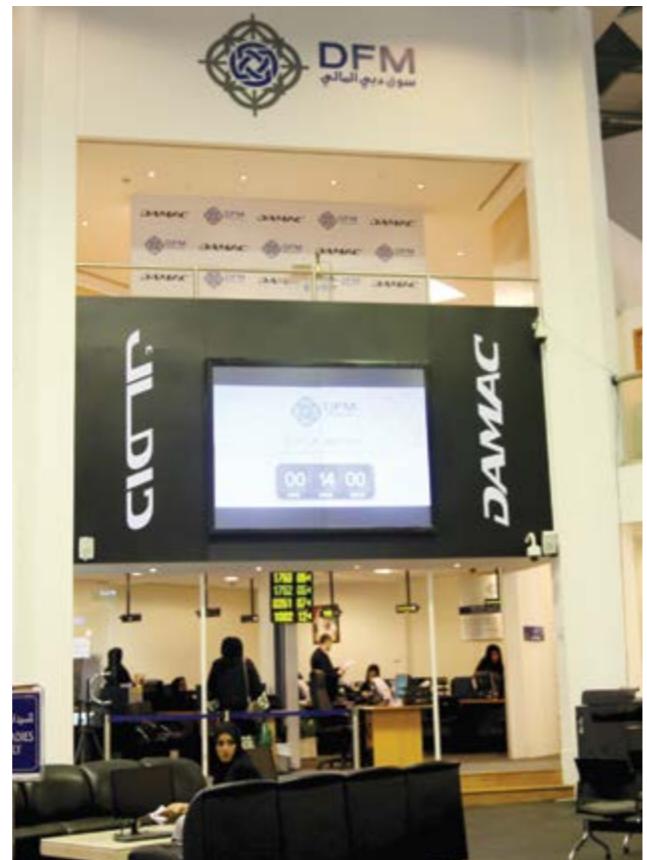
Nasdaq Dubai Code	DAMACR419USD
Irish Stock Exchange SEDOL	BLD35Z2

C. DIVIDENDS HISTORY OF DAMAC PROPERTIES DUBAI CO PJSC (since listing)

Period	Cash dividend	Cash dividend per share (AED)	Bonus shares	Entitlement date	Ex-dividend date	Settlement date	Distribution date
CY2014	NIL	NIL	10.00%	30-Mar-15	31-Mar-15	01-Apr-15	NA
H1 2015	10.00%	0.10	10.00%	21-Sep-15	22-Sep-15	29-Sep-15	05-Oct-15
H2 2015*	15.00%	0.15	NIL	-	-	-	-

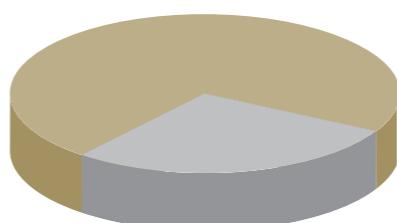
A final cash dividend of AED 0.15 per share for the period ended 31 December 2015 was proposed by the Board of Directors on 3 March 2016, which is subject to approval by the shareholders at the next General Meeting.

For unclaimed dividends please write to us at: investor.relations@DAMACgroup.com. Please mention your name, dividend for the period you are enquiring and quote your National Investor Number (NIN) as per DFM records.



“DAMAC PROPERTIES LISTED ON DUBAI FINANCIAL MARKET ON 12 JANUARY 2015.”

D. SHAREHOLDING DETAILS OF DAMAC PROPERTIES DUBAI CO PJSC



E. DE-LISTING OF GLOBAL DEPOSITORY RECEIPTS FROM LONDON STOCK EXCHANGE AND LISTING ON DFM

DAMAC Properties first listed on London Stock Exchange (LSE) on 3 December 2013 in form of Global Deposit Receipts (GDR) with opening market capitalisation of US\$ 2.65 billion. DAMAC Real Estate Development Limited (DRED), incorporated in Dubai International Financial Centre (DIFC), was the vehicle used for the purpose of listing. DRED is the owner of all DAMAC real estate assets. The Chairman sold 14.28% of his holding to the public, primarily institutional investors, raising close to US\$ 379 million in form of Initial Public Offer.

The Board of Directors monitored the situation closely for a year into listing and upon recommendation from various stakeholders and independent advisors evaluated the option to list at home on the primary and local stock market the Dubai Financial Market (DFM). This helped in creating more liquidity in the stock and allowed retail investors to participate in DAMAC.

DAMAC Properties Dubai Co PJSC (DPDC) is the vehicle used for primary listing onto DFM. It is a public joint stock company incorporated under the laws of the UAE in 1978 and registered in the Emirate of Dubai. DAMAC listing on DFM was more of a conversion of listing from LSE to DFM without changing the ownership composition of the Company. There was no fresh capital raised while listing DAMAC on the DFM.

DPDC initially acquired 85.72% ownership from the Chairman on 30 June 2014 and became the holding company of DRED with effect from 1 July 2014.

Later, DAMAC launched an exchange offer in September 2014 to the remaining 14.28% public GDR holders to convert their GDR holding for a similar economic interest in the DPDC, with the intention to list on the DFM. The exchange offer closed successfully on 9 January 2015 with 97.44% of the public GDR holders opting

for conversion, which increased DPDC's holding into DRED to 99.63%. DPDC listed on the DFM on 12 January 2015 with opening market capitalisation of US\$ 3.80 billion (this was referenced based on closing market capitalisation on the LSE on 9 January 2015).

Prior to the listing on the DFM and as part of the family estate planning, the major shareholder, Chairman Mr. Hussain Sajwani, transferred ownership of 13.5% to his extended family. He currently only controls 72.22% as reflected in the public record.

Upon shifting of majority of shareholding to the DFM, the Board opted to squeeze out the remaining 2.56% GDR holders in March 2015 as per LSE regulations and decided to de-list DAMAC from the LSE after complying with all the regulatory approvals. DRED is currently the owner of all real estate assets and a wholly owned subsidiary of DPDC. DPDC currently has a well-diversified institutional and retail shareholder base of over 1,600 shareholders as at 31 December 2015.

DAMAC has been amongst the top 10 companies in terms of market capitalisation on the DFM and one of the most liquid with an average daily traded value of ~AED 62 million (~US\$17 million) per day in 2015.

DAMAC Properties Co PJSC lists on the DFM on 12 January 2015





A large, stylized number '5' is positioned in the upper left corner, composed of a blue circle and a gold outline. The background of the slide features a photograph of the Park Towers in Dubai, with the 'DAMAC' logo visible on the base of the left tower.

CONSOLIDATED FINANCIAL STATEMENTS

DAMAC Properties Dubai Co PJSC

DIRECTORS' REPORT

The Board of Directors has the pleasure in submitting their report together with the audited consolidated financial statements of DAMAC Properties Dubai Co. PJSC (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2015. The profit for the year is AED 4,514.8 million (2014: AED 3,483.3 million).

PRINCIPAL ACTIVITIES

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

THE MOVEMENT IN RETAINED EARNINGS IS AS FOLLOWS:

	AED'000	AED'000
Balance at 31 December 2014	4,072,517	
Effect of change in accounting policy (Note 2.3)	597,673	
Balance at 1 January 2015	4,670,190	
Profit for the year		
• Revenue	8,536,067	
• Cost of sales	(3,469,006)	
• Interest and other income	627,624	
• Expenses	(1,179,855)	
Total	4,514,830	
Transfer to statutory reserve	(177,276)	
Acquisition of non-controlling interest in DRED (Note 3.3)	752,336	
Issue of bonus shares (Note 33)	(1,050,000)	
Cash dividend (Note 33)	(550,000)	
Balance at 31 December 2015	8,160,080	

On behalf of the Board of Directors



Mr Hussain Sajwani
Chairman

INDEPENDENT AUDITOR'S REPORT

The Shareholders
DAMAC Properties Dubai Co. PJSC
Dubai, United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **DAMAC Properties Dubai Co PJSC, Dubai, United Arab Emirates** (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No (2) of 2015, we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of accounts of the Group;
- v) investment in shares and stocks are disclosed in note 3.3 and 10 to the consolidated financial statements of the Group and includes purchases and investments made by the Group during the year ended 31 December 2015;
- vi) note 20 to the consolidated financial statements discloses material related party balances and transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No (2) of 2015 or in respect of the Company its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015; and
- viii) note 23 to the consolidated financial statements discloses the social contributions made during the year.

Deloitte & Touche (M.E.)



Musa Ramahi
Partner
Registration Number 872
Dubai, United Arab Emirates

10 February 2016

Deloitte.

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Property and equipment	6	63,875	59,941
Development properties	7	9,143,770	8,553,738
Other financial assets	8	788,655	852,750
Trade and other receivables	9	3,803,432	2,729,027
Financial investments	10	147,000	18,372
Cash and bank balances	11	9,500,765	6,612,368
Total assets		23,447,497	18,826,196
EQUITY AND LIABILITIES			
Equity			
Share capital	12	6,050,000	5,000,000
Statutory reserve	13	533,643	356,367
Group restructuring reserve	14	(4,912,810)	(4,912,810)
Retained earnings		8,160,080	4,072,517
Equity attributable to shareholders of the Company		9,830,913	4,516,074
Non-controlling interests	3.3	-	752,336
Total equity		9,830,913	5,268,410
Liabilities			
Bank borrowings	15	1,024,905	276,735
Sukuk certificates	16	2,739,716	2,367,946
Provision for employees' end-of-service indemnity	17	33,270	28,957
Advances from customers	18	5,533,221	7,295,131
Trade and other payables	19	4,285,472	3,548,672
Due to a related party	20	-	40,345
Total liabilities		13,616,584	13,557,786
Total equity and liabilities		23,447,497	18,826,196

Mr Hussain Sajwani
ChairmanMr Adil Taqi
Group Chief Finance Officer

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

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Revenue			
Cost of sales	21	8,536,067	3,740,034
Gross profit		5,067,061	2,229,307
Other operating income	22	503,935	38,443
General, administrative and selling expenses	23	(873,848)	(532,798)
Brokerage commission		(140,738)	(133,613)
Depreciation	6	(12,630)	(7,640)
Reversal of impairment on development properties	7	-	155,616
Gain realised on recognition of investment in an associate		-	1,281,963
Share of profits in an associate		-	457,992
Profit for the year from discontinued operations	25	-	2,919
Operating profit		4,543,780	3,492,189
Other income	24	33,508	20,978
Finance income		90,181	37,995
Finance costs		(152,639)	(67,878)
Profit for the year		4,514,830	3,483,284
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
- Unrealised gain on fair value of available-for-sale financial asset		-	517,563
- Gain realised on recognition of investment in an associate		-	(1,281,963)
- Revaluation reserve on financial investments recycled on disposal		-	(315)
Other comprehensive loss for the year		-	(764,715)
Total comprehensive income for the year		4,514,830	2,718,569

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015 (continued)

	Notes	2015 AED'000	2014 AED'000
Profit for the year attributable to:			
Shareholders of the Company		4,514,830	3,234,747
Non-controlling interests		-	248,537
		4,514,830	3,483,284
Total comprehensive income for the year attributable to:			
Shareholders of the Company		4,514,830	2,469,987
Non-controlling interests		-	248,582
		4,514,830	2,718,569
Earnings per share			
Basic and diluted (AED)	32	0.75	0.62

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital AED'000	Statutory reserve AED'000	Group restructuring reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Company AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2014	3,000,000	305,326	-	764,400	98,237	4,167,963	-	4,167,963
Issue of new shares	2,000,000	-	-	-	-	2,000,000	-	2,000,000
Acquisition of controlling interest in DRED (Note 3.3 and 26)	-	-	(4,912,810)	315	3,142,020	(1,770,475)	588,867	(1,181,608)
Total comprehensive income for the year	-	-	-	(764,715)	3,234,747	2,470,032	248,537	2,718,569
Transfer to statutory reserve	-	51,041	-	-	(51,041)	-	-	-
Dividend (Note 33)	-	-	-	-	(2,351,446)	(2,351,446)	(85,068)	(2,436,514)
Balance at 31 December 2014	5,000,000	356,367	(4,912,810)	-	4,072,517	4,516,074	752,336	5,268,410
Effect of change in accounting policy (Note 2.3)	-	-	-	-	597,673	597,673	-	597,673
Balance at 1 January 2015	5,000,000	356,367	(4,912,810)	-	4,670,190	5,113,747	752,336	5,866,083
Acquisition of non- controlling interest in DRED (Note 3.3)	-	-	-	-	752,336	752,336	(752,336)	-
Total comprehensive income for the year	-	-	-	-	4,514,830	4,514,830	-	4,514,830
Transfer to statutory reserve	-	177,276	-	-	(177,276)	-	-	-
Issue of bonus shares (Note 33)	1,050,000	-	-	-	(1,050,000)	-	-	-
Dividend (Note 33)	-	-	-	-	(550,000)	(550,000)	-	(550,000)
Balance at 31 December 2015	6,050,000	533,643	(4,912,810)	-	8,160,080	9,830,913	-	9,830,913

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Profit for the year	4,514,830	3,483,284
<i>Adjustments for:</i>		
Depreciation of property and equipment (Note 6)	12,630	7,862
Provision for employees' end-of-service indemnity (Note 17)	10,634	5,685
Gain on disposal of financial investments (Note 24)	-	(1,089)
Loss on retirement of property and equipment	578	2,603
Amortisation of issue costs on Sukuk certificates (Note 16)	9,783	1,981
Gain realised on recognition of investment in an associate	-	(1,281,963)
Share of profits in an associate	-	(457,992)
Profit for the year from discontinued operations (Note 25)	-	(3,248)
Finance costs	152,639	67,878
Finance income	(90,181)	(37,995)
(Reversal of) / provision for impairment on trade receivables (Note 9)	(4,267)	80,775
Reversal of impairment on development properties (Note 7)	-	(155,616)
Operating cash flows before changes in operating assets and liabilities		
Increase in trade and other receivables	(1,034,140)	(803,269)
Decrease in inventories	-	225
(Decrease)/increase in due to a related party	(40,345)	40,196
Increase in trade and other payables	731,746	940,779
Increase in development properties	(1,187,428)	(1,484,159)
(Decrease) / increase in advances from customers	(582,085)	658,442
Cash generated from operations		
Finance costs paid	(147,585)	(40,386)
Interest received	69,427	39,145
Employees' end-of-service indemnity paid (Note 17)	(6,321)	(248)
Net cash generated from operating activities		
	2,409,915	1,062,890
Cash flows from investing activities		
Purchases of property and equipment (Note 6)	(17,142)	(14,691)
Decrease / (increase) in fixed deposits with an original maturity of greater than three months (Note 11)	356,266	(1,259,213)
Proceeds from disposal of financial investments	-	174,916
Acquisition of financial investments (Note 10)	(128,628)	(3,490)
Decrease / (increase) in other financial assets	64,095	(373,162)
Net cash outflow on discontinued operations (Note 25)	-	(814)
Net cash inflow on acquisition of controlling interest in DRED (Note 26)	-	6,115,568
Net cash generated from investing activities		
	274,591	4,639,114

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015 (continued)

	2015 AED'000	2014 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings during the year	830,020	276,735
Repayment of bank borrowings during the year	(81,850)	(30,870)
Net proceeds from issuance of Sukuk certificates (Note 16)	361,987	-
Dividend paid (Note 33)	(550,000)	(595,403)
Net cash generated from / (used in) financing activities		
Net increase in cash and cash equivalents	560,157	(349,538)
Cash and cash equivalents at the beginning of the year	5,353,155	689
Cash and cash equivalents at the end of the year (Note 11)		
	8,597,818	5,353,155
<i>Non-cash transactions</i>		
Dividend (Note 33)	(1,050,000)	(1,841,111)
Acquisition of non-controlling interest in DRED (Note 3.3)	(752,336)	-
Acquisition of controlling interest in DRED (Note 26)	-	(5,305,326)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 address of the Company's registered office is PO Box 12265, Dubai, United Arab Emirates.

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

The Parent and its subsidiaries are involved in the development of properties in the Middle East.

2. Application of new and revised International Financial Reporting Standards ('IFRS')

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these consolidated financial statements. The application of these revised and new IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 – 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
- Annual Improvements to IFRSs 2011 – 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40
- Amendments to IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service

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

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs

	Effective for annual periods beginning on or after
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative.	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations.	1 January 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs

	Effective for annual periods beginning on or after
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants.	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities.	1 January 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	
• Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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IFRS9 Financial Instruments (continued)

- Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 9 may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

2.3 New and revised IFRSs in issue but not yet effective that have been early adopted

IFRS 15 *Revenue from contracts with customers* was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2015. Refer Note 3.5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.3 New and revised IFRSs in issue but not yet effective that has been early adopted (continued)

The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening consolidated statement of financial position are detailed below:

	31 December 2014 AED'000	Adjustments/ reclassification AED'000	1 January 2015 AED'000
Assets			
Development properties	8,553,738	(597,396)	7,956,342
Trade and other receivables	2,729,027	15,244	2,744,271
Liabilities			
Advances from customers	7,295,131	(1,179,825)	6,115,306
Equity			
Retained earnings	4,072,517	597,673	4,670,190

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The UAE Federal Law No 2 of 2015 ('Companies Law') has come into force on 1 July 2015. The Company has 12 months from the effective date of the Companies Law to comply with its provisions (the 'transitional provisions') and the Company has availed these transitional provisions.

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value at the end of each reporting period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.2 Basis of preparation

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
- Level 3 inputs are unobservable inputs for the asset or liability

The consolidated financial statements are presented in Arab Emirates Dirhams ('AED') which is the Group's reporting currency. The individual financial statements of each Group entity are prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

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

3.3 Basis of consolidation

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

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

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

The Company consolidates 100% of the operations, assets and liabilities of the subsidiaries listed below (together the "Group").

Name of the entity	Country of incorporation	Principal activities	Legal and economic interest
Najah Company Limited	British Virgin Islands	Holding company	100%
Al Khazna Company Limited	British Virgin Islands	Holding company	100%
Imtiaz Holding Limited	British Virgin Islands	Holding company	100%
Sahira Company Limited	British Virgin Islands	Holding company	100%
Al Firdous Holding Limited	British Virgin Islands	Holding company	100%
DAMAC Real Estate Development Limited, DIFC ('DRED')	United Arab Emirates	Holding company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Acquisition of non-controlling interest in DRED

During the year, the eligible holders of Global Depository Receipts (the 'GDRs') representing 14.3% of the ordinary shares of DAMAC Real Estate Development Limited, DIFC ("DRED") were made an offer by the Company to exchange their GDRs for ordinary shares of the Company at a defined exchange rate which was accepted by all eligible holders. The offer closed on 9 January 2015 and the shares issued by the Company were listed on the Dubai Financial Market on 12 January 2015.

As the Company's interest in DRED became 100% the resulting change in non-controlling interest was recorded in equity.

3.4 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of comprehensive income.

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

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

3.5 Revenue recognition

Revenue from contracts with customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

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

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

The Group allocates the transaction price to the performance obligations in a contract based on the input method, which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

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

Management fees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective 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.

3.6 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 represents the estimated selling value, based on sales relevant in the year, less costs to be incurred in selling the properties.

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

3.7 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.8 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 purchase consideration together with any incidental costs of acquisition. Cost includes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.8 Property and equipment (continued)

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

	<u>Years</u>
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 comprehensive income.

3.9 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 comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.10 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.

3.11 Leases

For the years ended 31 December 2014 and 31 December 2015, the Group did not have any finance leases and all leases have been classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.12 Foreign currencies

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

Exchange differences are recognised in the consolidated statement of comprehensive income in the period in which they arise.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when an entity from the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: 'loans and receivables' and 'available-for-sale' ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, other financial assets and cash and bank balances (excluding advances to suppliers and prepayments) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

The Group's investments in shares are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 29.

Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. Gains and losses arising from impairment losses or changes in future cash flows are recognised directly in the consolidated statement of comprehensive income.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interests or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of comprehensive income to the extent that the carrying amount of the investment, at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of comprehensive income.

Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated statement of comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of comprehensive income.

On derecognition of a financial asset other than in its entirety (eg: when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in statement of comprehensive income. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

Other financial liabilities include bank borrowings, Sukuk certificates, trade and other payables and due to a related party. These are subsequently measured at amortised cost applying the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Derecognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of comprehensive income.

3.14 Taxation

There is no income tax applicable to the Group operations in the UAE. In jurisdictions other than the UAE, in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Group. Capital gains derived by the Group in such jurisdictions generally will be exempt from foreign income or withholding taxes at source. Management has evaluated the application of IAS 12 Income Taxes, and has determined that the Group has no such tax exposures at the year end.

3.15 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 comprehensive income in the period in which they are incurred.

3.16 Statutory reserve

As required by the UAE Company 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.

3.17 Cash and cash equivalents

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

3.18 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. An operating segment's operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to the management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements in applying accounting policies

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

Litigation

The Group is subject to litigation in the normal course of its business. Based on judgement with input from in-house legal advisors, management does not believe that the outcome of such court cases will have a material impact on the Group's consolidated financial position or financial performance.

Cancellation fees

Management believes that in relation to defaulting customers, once all negotiations and communication channels with the customers for renegotiating or for future payments are exhausted, it is appropriate to terminate contracts, and recognise cancellation fees in the consolidated statement of comprehensive income.

Impairment of development properties

The Group reviews the realisable values of development properties to assess if there is an indication of impairment. In determining whether impairment losses should be recognised in the consolidated statement of comprehensive income, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling prices are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties in the consolidated statement of financial position to net realisable value.

At 31 December 2015, the Group engaged an independent external valuation expert to determine the market value for each of the properties. The market values, and future expected sales proceeds have been used in the assessment of net realisable value, which resulted in impairment of AED Nil (2014: Impairment reversal of AED 155.6 million) as at 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

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

Critical accounting judgements in applying accounting policies (continued)

Escrow accounts

Cash held in escrow represents cash received from customers which is held in escrow bank accounts managed by approved escrow agents. The balances held in escrow are short-term amounts readily available for construction payments for specific projects to which they relate upon commencement of construction as determined by management.

Financial investments

Financial investments represents the Group's 20% equity interest in a related entity (Note 10). Management has assessed the impact of IAS 28 Investments in Associates and Joint Ventures and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

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.

Going concern assumption

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.

Completion of projects

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

Provision for impairment on trade receivables

The Group reviews its receivables to assess adequacy of provisions at least on a quarterly basis. The Group's credit risk is primarily attributable to its trade receivables and amounts due from related parties. In determining whether provisions should be recognised in the consolidated statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

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

Key sources of estimation uncertainty (continued)

Useful lives of property and equipment

Property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

5. Segment analysis

Information reported to the Board for the purpose of the resource allocation and assessment of performance is primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations. The Group currently comprises a single reportable operating segment, being property development.

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

	2015 AED'000	2014 AED'000
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Revenue

Domestic	7,988,443	3,687,481
International	547,624	52,553
Total revenue	8,536,067	3,740,034

Development properties

Domestic	7,394,667	6,597,958
International	1,749,103	1,955,780
Total development properties	9,143,770	8,553,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

6. 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 2014	3,000	41	2,258	247	5,546
Additions	-	4,365	9,682	644	14,691
Write-off	-	(4,634)	-	-	(4,634)
Acquisition of controlling interest in DRED (Note 26)	-	67,620	64,680	4,410	136,710
Derecognised on discontinued operations (Note 25)	(3,000)	(41)	(2,258)	(247)	(5,546)
At 1 January 2015	-	67,351	74,362	5,054	146,767
Additions	-	4,145	12,635	362	17,142
Eliminated on disposal	-	-	-	(987)	(987)
At 31 December 2015	-	71,496	86,997	4,429	162,922
Accumulated depreciation					
At 1 January 2014	1,600	32	1,867	152	3,651
Charge for the year – DRED	-	3,436	4,079	125	7,640
Charge for the year – Discontinued operations (Note 25)	100	2	104	16	222
Write off	-	(2,031)	-	-	(2,031)
Acquisition of controlling interest in DRED (Note 26)	-	40,793	38,586	1,838	81,217
Derecognised on discontinued operations (Note 25)	(1,700)	(34)	(1,971)	(168)	(3,873)
At 1 January 2015	-	42,198	42,665	1,963	86,826
Charge for the year	-	2,090	9,798	742	12,630
Eliminated on disposal	-	-	-	(409)	(409)
At 31 December 2015	-	44,288	52,463	2,296	99,047
Carrying value					
As at 31 December 2015	-	27,208	34,534	2,133	63,875
As at 31 December 2014	-	25,153	31,697	3,091	59,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

7. Development properties

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	8,553,738	-
Effect of change in accounting policy (Note 2.3)	(597,396)	-
	7,956,342	-
Acquisition of controlling interest in DRED	-	6,928,845
Additions	4,653,136	2,993,138
Transfer to cost of sales	(3,465,708)	(1,508,979)
Transfers to a related party (Note 20)	-	(14,882)
Reversal of impairment	-	155,616
Balance at the end of the year	9,143,770	8,553,738

Impairment of development properties

At 31 December 2015, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgement in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, the Group engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

This review resulted in an impairment of AED Nil (2014: Impairment reversal of AED 155.6 million), reflecting stable macroeconomic conditions and expected future sales prices.

Assets held as development properties

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

	2015 AED'000	2014 AED'000
Land held for future development	1,725,497	514,744
Properties under development	6,788,416	6,894,555
Completed properties	629,857	1,144,439
	9,143,770	8,553,738

No borrowing costs have been capitalised to development properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

8. Other financial assets

	2015 AED'000	2014 AED'000
Escrow retention accounts	773,269	839,859
Margin deposits	8,560	10,202
Other	6,826	2,689
	788,655	852,750

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 carry interest at commercial rates.

At 31 December 2015, margin deposits are held by banks under lien against credit facilities issued to the Group, which carries interest at commercial rates.

9. Trade and other receivables

	2015 AED'000	2014 AED'000
Trade receivables	3,150,882	2,254,194
Less: Provision for impairment on trade receivables	(198,886)	(203,153)
	2,951,996	2,051,041
Advances and deposits	800,967	629,476
Prepayments and other receivables	50,469	48,510
	3,803,432	2,729,027

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

Movement in the provision for impairment on trade receivables:

	2015 AED'000	2014 AED'000
Balance at beginning of the year	203,153	-
Acquisition of controlling interest in DRED	-	122,378
Net provision for the year (Note 23)	(4,267)	80,775
Balance at end of the year	198,886	203,153

The Group has assessed and provided for doubtful receivable balances at the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

9. Trade and other receivables (continued)

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

	Past due but not impaired				Total AED'000
	1 - 60 days AED'000	61 - 180 days AED'000	181 - 270 days AED'000		
31 December 2015	2,709,260	118,525	85,635	38,576	2,951,996
31 December 2014	1,803,223	99,407	131,218	17,193	2,051,041

Ageing of impaired trade receivables is as follows:

	1 - 60 days AED'000	61 - 180 days AED'000	181 - 270 days AED'000	Above 270 days AED'000	Total AED'000
31 December 2015	15,969	22,960	13,213	146,744	198,886
31 December 2014	7,469	43,912	66,599	85,173	203,153

10. Financial investments

During the year, the Group increased its investment in DAMAC International Limited, a related entity, from AED 18.4 million to AED 147 million which represents a 20% equity interest in the related entity.

11. Cash and bank balances

	2015 AED'000	2014 AED'000
Cash on hand	14,397	566
Cash held in escrow	8,446,029	5,190,196
Bank balances	82,083	32,908
Fixed deposits	958,256	1,388,698
Cash and bank balances	9,500,765	6,612,368
Less: Fixed deposits with an original maturity of greater than three months	(902,947)	(1,259,213)
Cash and cash equivalents	8,597,818	5,353,155

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

12. Share capital

	2015 AED'000	2014 AED'000
Issued, subscribed and fully paid shares of AED 1 each	6,050,000	5,000,000

During 2015, the Company issued bonus shares consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 6.05 billion (Note 33).

13. Statutory reserve

As required by the UAE Company 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.

14. Group restructuring reserve

On 30 June 2014, identifiable assets, liabilities, investment revaluation reserve and retained earnings of the DRED Group were acquired at net book value in consideration for amounts receivable from the Chairman. The difference between the net book value and the receivable was classified as a Group Restructuring Reserve (Note 26). This reserve is not distributable.

15. Bank borrowings

	2015 AED'000	2014 AED'000
Bank loans	740,589	146,900
Overdrafts	284,316	129,835
	1,024,905	276,735

Banks and financial institutions

The Group has borrowings under various loan arrangements with a number of banks and financial institutions. These institutions provide the Group with term loans and overdraft facilities.

The Group has the following unsecured interest-bearing loans and borrowings:

- AED 147 million (US\$ 40 million) term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, fully repayable by 2016. During the year, AED 73.5 million (US\$ 20 million) was repaid.
- AED 275.4 million (US\$ 75 million) revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2016.
- AED 50 million (US\$ 13.6 million) term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. During the year, AED 8.3 million (US\$ 2.3 million) was repaid.
- AED 350 million (US\$ 95.2 million) Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

15. Bank borrowings (continued)

The repayment profile of the above bank borrowings is as follows:

	2015 AED'000	2014 AED'000
On demand or within one year	649,955	203,285
In the second year	374,950	73,450
	1,024,905	276,735

16. Sukuk certificates

	2015 AED'000	2014 AED'000
Proceeds from the issue of Sukuk Certificates	2,756,250	2,388,750
Gross issue costs	(28,666)	(23,153)
Less: Amortised upto year end	12,132	2,349
Unamortised issue costs	(16,534)	(20,804)
Carrying amount	2,739,716	2,367,946

Movement in unamortised issue costs

	2015 AED'000	2014 AED'000
Opening balance	20,804	-
Acquisition of controlling interest in DRED	-	22,785
Issue costs incurred	5,513	-
Amortised during the year	(9,783)	(1,981)
Unamortised issue costs as at year end	16,534	20,804

- On 9 April 2014, the Group issued US\$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee with the DRED as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "Trust") over certain 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 Certificates carry interest at 4.97% per annum and are secured by assigned trust assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

16. Sukuk certificates (continued)

- On 21 September 2015, the Group issued US\$ 100 million SUKUK TRUST CERTIFICATES maturing in 2017. Alpha Star Holding II Limited is the Issuer and Trustee with DRED as Guarantor. The Sukuk was fully subscribed by a UAE financial institution. The Certificates represent the right to receive certain payments arising from an undivided ownership interest in the Trust Assets declared by the Trustee pursuant to the Declaration of Trust.

The Trust Certificates are secured by the assigned trust assets and carry interest at three months LIBOR plus 3.25% per annum.

17. Provision for employees' end-of-service indemnity

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	28,957	313
Acquisition of controlling interest in DRED (Note 26)	-	23,520
Charge for the year	10,634	5,685
Payments made during the year	(6,321)	(248)
Derecognised on discontinued operations (Note 25)	-	(313)
Balance at the end of the year	33,270	28,957

18. Advances from customers

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	7,295,131	-
Effect of change in accounting policy (Note 2.3)	(1,179,825)	-
	6,115,306	-
Acquisition of controlling interest in DRED (Note 26)	-	6,636,683
Amount billed during the year	8,414,796	4,409,378
Revenue recognised during the year	(8,516,805)	(3,728,917)
Other income recognised during the year (Note 22)	(480,076)	(22,013)
Balance at the end of the year	5,533,221	7,295,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

19. Trade and other payables

	2015 AED'000	2014 AED'000
Accruals	875,212	612,530
Other payables	680,459	794,386
Retentions payable	612,170	416,699
Deferred consideration for land payments	2,117,631	1,725,057
	4,285,472	3,548,672

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

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.

At the reporting date, balances with related parties were as follows:

	2015 AED'000	2014 AED'000
Due to a related party		
Due to an entity under the Chairman's control	-	40,345
Nature of significant related party transactions and amounts involved are as follows:		
	2015 AED'000	2014 AED'000
Entities under the Chairman's control		
Construction works executed (i)	(34,435)	(111,666)
Investment in DAMAC International Limited (Note 10) (ii)	(128,628)	(3,490)
Transfers of development properties (Note 7) (ii)	-	(14,882)
Support services fees (Note 24) (iii)	6,001	-
Purchase of land plot	-	(117,600)
Sale of land plot	-	116,595

(i) Construction works executed

During the year, the Group utilised construction services worth AED 34.4 million from Draieh Contracting LLC, an entity under the control of the Chairman.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

20. Related party transactions (continued)

(ii) Investment in DAMAC International Limited

During the year, the Group increased its investment in DAMAC International Limited, a related entity, from AED 18.4 million to AED 147 million (Note 10).

(iii) Support services fees

During the year the Group received AED 6 million from DAMAC International Limited, a related entity, towards support services rendered (Note 24).

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.

	2015 AED'000	2014 AED'000
Short term employee benefits	20,375	4,601
Termination benefits – EOSB	486	173
	20,861	4,774

21. Revenue

	2015 AED'000	2014 AED'000
Apartment units	5,633,951	1,650,990
Sale of land	2,902,116	2,089,044
	8,536,067	3,740,034

22. Other operating income

	2015 AED'000	2014 AED'000
Penalties from overdue customers	22,531	16,089
Income from cancellation of units	480,076	22,013
Unit registration and transfer fees	1,328	341
	503,935	38,443

(i) Construction works executed

During the year, the Group utilised construction services worth AED 34.4 million from Draieh Contracting LLC, an entity under the control of the Chairman.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

23. General, administrative and selling expenses

	2015 AED'000	2014 AED'000
Staff costs	465,959	228,696
Advertising and sales promotion	192,664	125,895
Rent and license fees	58,211	30,088
Legal and professional	51,093	18,712
Repairs and maintenance	34,547	16,030
Bank charges	27,073	13,124
Travel and conveyance	20,864	5,164
Communication	12,196	4,633
Social contribution	2,000	1,000
(Reversal of) / provision for impairment on trade receivables (Note 9)	(4,267)	80,775
Other	13,508	8,681
	873,848	532,798

24. Other income

	2015 AED'000	2014 AED'000
Property management fees	19,124	9,179
Gain on disposal of financial investments	-	1,089
Support services fees	6,001	-
Other	8,383	10,710
	33,508	20,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

25. Discontinued operations

On 30 June 2014, the Company disposed its Gypsum business for a consideration of AED 7 million. After this disposal, the Company became a holding company with no assets or liabilities in its standalone books other than the ownership interest in DAMAC Real Estate Development Limited, DIFC and its subsidiaries ("DRED").

Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations included in the profit for the previous year are set out below.

	2014 AED'000
Revenue	1,481
Cost of sales	(882)
Gross profit	599
Expenses	(706)
Depreciation	(222)
Profit on disposal	3,248
Profit for the year	2,919

Assets and liabilities over which control was lost

	2014 AED'000
Assets	
Property and equipment	1,673
Trade and other receivables	869
Inventories	1,082
Cash and bank balances	814
Liabilities	
Trade and other payables	(373)
Provision for employees' end-of-service indemnity	(313)
Net assets	3,752
Consideration recorded as due from a related party	(7,000)
Profit on disposal recognised in profit or loss for the year	3,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

26. Acquisition of controlling interest

Effective 30 June 2014 (the "Acquisition Date"), the Company was transferred 85.7% of the ownership interest in DRED. The transfer of the ownership interest was treated as a common control transaction in these consolidated financial statements. The assets, liabilities, investment revaluation reserve and retained earnings of DRED have been transferred to the Company at net book value as the ultimate ownership in DRED remained identical prior to and subsequent to the transfer of the DRED equity to the Company.

Assets acquired and liabilities recognised

	2014 AED'000
Assets	
Cash and bank balances	6,115,568
Other financial assets	479,588
Financial investments	174,195
Trade and other receivables	2,007,653
Development properties	6,928,845
Property and equipment	55,493
Total assets	15,761,342
Liabilities	
Borrowings	30,870
Sukuk certificates	2,365,965
Advances from customers	6,636,683
Trade and other payables	2,580,586
Provision for employees' end-of-service indemnity	23,520
Total liabilities	11,637,624
Net assets	4,123,718

Consideration transferred and Group Restructuring Reserve:

	2014 AED'000
Consideration transferred towards interest in DRED	5,305,326
Net asset value transferred – at book value:	
Assets *	(13,510,622)
Liabilities *	9,975,771
	1,770,475
Reinstatement of reserves in DRED:	
Investment revaluation reserve *	315
Retained earnings *	3,142,020
Group restructuring reserve (Note 14)	4,912,810

* Represents 85.7% ownership interest acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

27. Contingent liabilities

	2015 AED'000	2014 AED'000
Bank guarantees	1,062,709	881,341

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 2015.

28. Commitments

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

	2015 AED'000	2014 AED'000
Contracted for	7,415,223	6,070,486

29. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2015 AED'000	2014 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	13,263,321	9,517,309

Financial assets

Financial investments	147,000	18,372
	13,410,321	9,535,681

Financial liabilities

At amortised cost	5,932,462	4,508,641
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(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

29. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the year end, the carrying value of the financial assets and financial liabilities approximates to their fair values. The entire portfolio of financial investments (Note 10) is classified as Level 3.

30. 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 does not hold or issue derivative financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

30. Financial risk management (continued)

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the reporting date. The analysis is prepared assuming the amount of assets/liabilities outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease / increase by AED 3.6 million (2014: AED 9.8 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

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

(d) Credit risk management

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

Ongoing credit evaluation is performed on the financial condition of trade receivables.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

30. Financial risk management (continued)

(e) Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2015:					
Non-interest bearing	-	2,167,841	-	-	2,167,841
Fixed interest rate instruments	4.82	-	361,987	2,377,729	2,739,716
Variable interest rate instruments	3.81	649,955	374,950	-	1,024,905
		2,817,796	736,937	2,377,729	5,932,462
31 December 2014:					
Non-interest bearing	-	1,863,960	-	-	1,863,960
Fixed interest rate instruments	4.97	-	-	2,367,946	2,367,946
Variable interest rate instruments	3.51	203,285	73,450	-	276,735
		2,067,245	73,450	2,367,946	4,508,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

30. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2015:					
Non-interest bearing	-	11,516,410	-	-	11,516,410
Variable interest rate instruments	1.87	1,746,911	-	-	1,746,911
		13,263,321	-	-	13,263,321
31 December 2014:					
Non-interest bearing	-	7,275,861	-	-	7,275,861
Variable interest rate instruments	2.09	2,241,448	-	-	2,241,448
		9,517,309	-	-	9,517,309

31. 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 Note 15 and Note 16, 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.

32. Earnings per share

The basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year. In accordance with IAS 33 *Earnings per share*, the impact of bonus shares issued (Note 33) has been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

	2015	2014
Profit for the year (AED'000)	4,514,830	3,234,747
Weighted average number of ordinary shares ('000)	6,050,000	5,239,041
Earnings per ordinary share – basic and diluted (AED)	0.75	0.62

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015 (continued)

33. Dividend

On 22 March 2015, the Company held its annual general meeting which, among other things, approved a share dividend equal to AED 0.10 per share amounting to AED 500 million. The bonus shares were issued on 1 April 2015 consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 5.5 billion.

On 15 September 2015, the Company held its ordinary general meeting which, among other things, approved an interim cash dividend of AED 0.10 per share amounting to AED 550 million and a share dividend of AED 0.10 per share amounting to AED 550 million. The bonus shares were issued on 29 September 2015 consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 6.05 billion. The cash dividend was paid on 5 October 2015.

An interim dividend of AED 0.49 per share amounting to AED 2.4 billion was declared for the period ended 30 June 2014. Out of this, AED 1.8 billion was offset against amounts owed by the Chairman and the balance was paid on 12 August 2014 to the Chairman and the GDR holders in relative proportion of their shareholding.

34. Comparative figures

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been reclassified in the consolidated statement of financial position and the consolidated statement of cash flows for the prior year ended 31 December 2014, as previously reported:

Extract of consolidated statement of financial position:

	As previously reported AED'000	Reclassifications AED'000	As restated AED'000
Liabilities – extract			
Advances from customers	-	7,295,131	7,295,131
Trade and other payables	10,843,803	(7,295,131)	3,548,672
	10,843,803	-	10,843,803

Extract of consolidated statement of cash flows:

	As previously reported AED'000	Reclassifications AED'000	As restated AED'000
Operating activities – extract			
Increase in advances from customers	-	658,442	658,442
Increase in trade and other payables	1,599,221	(658,442)	940,779
	1,599,221	-	1,599,221

35. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 was approved by the Board and authorised for issue on 10 February 2016.



CONSOLIDATED FINANCIAL STATEMENTS

DAMAC Real Estate Development Limited, DIFC



DAMAC REAL ESTATE DEVELOPMENT LIMITED, DIFC DUBAI – UNITED ARAB EMIRATES

Consolidated financial statements and independent auditor's report For the year ended 31 December 2015

DIRECTORS' REPORT

The Board of Directors has the pleasure in submitting their report together with the audited consolidated financial statements of DAMAC Real Estate Development Limited, DIFC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015. The net profit for the year is US\$ 1,228.9 million (2014: US\$ 937 million).

Principal activities

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

The movement in retained earnings is as follows:

	US\$ million	US\$ million
Balance at 31 December 2014	1,309.0	
Effect of change in accounting policy (Note 2.3)	162.6	
Balance at 1 January 2015	1,471.6	
Profit for the year		
Revenue	2,322.7	
Cost of sales	(943.9)	
Interest and other income	170.7	
Expenses	(320.6)	
Total	1,228.9	
Dividend paid (Note 31)	(482.7)	
Balance at 31 December 2015	2,217.8	

On behalf of the Board of Directors



Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
DAMAC Real Estate Development Limited, DIFC
Dubai
United Arab Emirates

Audit Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of **DAMAC Real Estate Development Limited, DIFC** (the "Company") **and its subsidiaries** (together the "Group") as of 31 December 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



10 February 2016



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 US\$ million	2014 US\$ million
ASSETS			
Property and equipment	6	17.4	16.3
Development properties	7	2,488.1	2,327.5
Other financial assets	8	214.6	232.0
Trade and other receivables	9	1,034.9	742.6
Financial investments	10	40.0	5.0
Cash and bank balances	11	2,585.3	1,799.3
Total assets		6,380.3	5,122.7
EQUITY AND LIABILITIES			
Equity			
Share capital	12	983.0	650.0
Statutory reserve	13	41.3	41.3
Group restructuring reserve	14	(566.7)	(566.7)
Retained earnings		2,217.8	1,309.0
Total equity		2,675.4	1,433.6
Liabilities			
Bank borrowings	15	278.9	75.3
Sukuk certificates	16	745.5	644.3
Provision for employees' end-of-service indemnity	17	9.1	7.9
Advances from customers	18	1,505.6	1,985.1
Trade and other payables	19	1,165.8	965.5
Due to a related party	20	-	11.0
Total liabilities		3,704.9	3,689.1
Total equity and liabilities		6,380.3	5,122.7

Chief Executive Officer



Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 US\$ million	2014 US\$ million
Revenue			
Cost of sales	21	2,322.7	2,009.6
		(943.9)	(833.5)
Gross profit			
Other operating income	22	137.1	47.8
General, administrative and selling expenses	23	(237.4)	(256.0)
Brokerage commission		(38.3)	(67.1)
Depreciation	6	(3.4)	(3.8)
Reversal of impairment on development properties	7	-	42.3
Operating profit			
Other income	24	9.1	9.8
Finance income		24.5	15.1
Finance costs		(41.5)	(27.2)
Profit for the year		1,228.9	937.0
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
- Revaluation reserve on financial investments recycled on disposal		-	(0.5)
Total comprehensive income for the year		1,228.9	936.5
Earnings per share			
Basic and diluted (US\$)	30	1.53	1.44

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital US\$ million	Statutory reserve US\$ million	Group restructuring reserve US\$ million	Investment revaluation reserve US\$ million	Retained earnings US\$ million	Total US\$ million
Balance at 1 January 2014	650.0	41.3	(566.7)	0.5	534.0	659.1
Total comprehensive income for the year	-	-	-	(0.5)	937.0	936.5
Dividend paid (Note 31)	-	-	-	-	(162.0)	(162.0)
Balance at 31 December 2014	650.0	41.3	(566.7)	-	1,309.0	1,433.6
Effect of change in accounting policy (Note 2.3)	-	-	-	-	162.6	162.6
Balance at 1 January 2015	650.0	41.3	(566.7)	-	1,471.6	1,596.2
Total comprehensive income for the year	-	-	-	-	1,228.9	1,228.9
Issue of new shares (Note 12)	333.0	-	-	-	-	333.0
Dividend paid (Note 31)	-	-	-	-	(482.7)	(482.7)
Balance at 31 December 2015	983.0	41.3	(566.7)	-	2,217.8	2,675.4

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 US\$ million	2014 US\$ million
Cash flows from operating activities		
Profit for the year	1,228.9	937.0
<i>Adjustments for:</i>		
Depreciation of property and equipment (Note 6)	3.4	3.8
Provision for employees' end-of-service indemnity (Note 17)	2.9	3.3
Gain on disposal of financial investments	-	(0.2)
Loss on retirement of property and equipment	0.2	0.7
Amortisation of issue costs on Sukuk certificates (Note 16)	2.7	0.6
Finance costs	41.5	27.2
Finance income	(24.5)	(15.1)
(Reversal of) / provision for impairment on trade receivables (Note 9)	(1.2)	25.5
Reversal of impairment on development properties (Note 7)	-	(42.3)
Operating cash flows before changes in operating assets and liabilities	1,253.9	940.5
Increase in trade and other receivables	(281.4)	(358.8)
(Decrease) / increase in due to a related party	(11.0)	9.8
Increase in trade and other payables	198.9	382.3
Increase in development properties	(323.1)	(356.5)
(Decrease) / increase in advances from customers	(158.5)	269.8
Cash generated from operations	678.8	887.1
Finance costs paid	(40.1)	(19.7)
Interest received	18.9	15.3
Employees' end-of-service indemnity paid (Note 17)	(1.7)	(0.3)
Net cash generated from operating activities	655.9	882.4
Cash flows from investing activities		
Purchases of property and equipment (Note 6)	(4.7)	(8.3)
Decrease / (increase) in fixed deposits with an original maturity of greater than three months (Note 11)	96.9	(310.1)
Proceeds from disposal of financial investments	-	30.4
Acquisition of financial investments (Note 10)	(35.0)	(1.0)
Decrease / (increase) in other financial assets	17.4	(154.1)
Net cash generated from/(used in) investing activities	74.6	(443.1)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	2015 US\$ million	2014 US\$ million
Cash flows from financing activities		
Proceeds from bank borrowings during the year	226.0	75.3
Repayment of bank borrowings during the year	(22.4)	(85.3)
Net proceeds from issuance of Sukuk certificates (Note 16)	98.5	643.7
Increase in share capital (Note 12)	333.0	-
Dividend paid (Note 31)	(482.7)	(162.0)
Net cash generated from financing activities	152.4	471.7
Net increase in cash and cash equivalents	882.9	911.0
Cash and cash equivalents at the beginning of the year	1,456.7	545.7
Cash and cash equivalents at the end of the year (Note 11)	2,339.6	1,456.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. General information

DAMAC Real Estate Development Limited, DIFC, was incorporated on 31 October 2013 as a Company Limited by shares (registration number 1476) with the Registrar of Companies of the Dubai International Financial Centre (the "DIFC") under the Companies Law, DIFC Law No 2. The registered address of the Company is Office No. 206A, Level 2, Park Towers, Dubai International Financial Centre, PO Box 2195, Dubai, United Arab Emirates (U.A.E).

The Company is 100% owned by DAMAC Properties Dubai Co. PJSC (the "Parent") whose majority shareholder is Mr Hussain Ali Habib Sajwani (the "Chief Executive Officer"). The Company and its subsidiaries are involved in the development of properties in the Middle East.

During the year, the eligible holders of Global Depository Receipts (the "GDRs") representing ordinary shares of the Company were made an offer by the Parent to exchange their GDRs for ordinary shares of the Parent at a defined exchange rate. The offer closed on 9 January 2015 and the shares issued by the Parent were listed on the Dubai Financial Market on 12 January 2015.

Following the exchange of shares, the Company delisted its GDRs from the London Stock Exchange at which point the Parent's ownership increased from 85.7% to 100%.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these consolidated financial statements. The application of these revised and new IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 – 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
- Annual Improvements to IFRSs 2011 – 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

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

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative.	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations.	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants.	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities.	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 <i>Financial Instruments (continued)</i>	
• Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk	
• Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised	
• Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures	
• Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39	
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 16 <i>Leases</i> specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
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, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.	
The application of the finalised version of IFRS 9 may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.3 New IFRS in issue but not yet effective that has been early adopted

IFRS 15 *Revenue from contracts with customers* was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2015. Refer Note 3.5.

The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening consolidated statement of financial position are detailed below:

	31 December 2014 US\$ million	Adjustments/ reclassification US\$ million	1 January 2015 US\$ million
Assets			
Development properties	2,327.5	(162.5)	2,165.0
Trade and other receivables	742.6	4.1	746.7
Liabilities			
Advances from customers	1,985.1	(321.0)	1,664.1
Equity			
Retained earnings	1,309.0	162.6	1,471.6

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3.2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value at the end of each reporting period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.2 Basis of preparation (continued)

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

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

The consolidated financial statements are presented in United States Dollars ("US\$") which is the Group's reporting currency. The individual financial statements of each Group entity are prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

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

3.3 Basis of consolidation

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

- 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.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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 cashflows relating to transactions between members of the Group are eliminated in full on consolidation.

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries (excluding branches) listed below, which in total are 76 (2014: 76) companies (together the "Group").

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
DAMAC Crescent Properties Co LLC	U.A.E.	Real estate development	100%	100%
DAMAC Luxury Real Estate Properties Co LLC	U.A.E.	Real estate development	100%	100%
DAMAC Heritage Properties Co LLC	U.A.E.	Real estate development	100%	100%
DAMAC General Trading LLC	U.A.E.	Holding company	100%	100%
Al Bawader Real Estate LLC	U.A.E.	Sales office	100%	100%
Frontline Investment Management Co. LLC	U.A.E.	Shell company	100%	100%
Al Aman Investment Management Co LLC	U.A.E.	Holding company	100%	100%
Business Tower Investment LLC	U.A.E.	Real estate development	100%	100%
DAMAC Enterprises & Management Co LLC	U.A.E.	Trade marks	100%	100%
DAMAC Media And Marketing LLC	U.A.E.	Marketing and public relations	100%	100%
DAMAC Properties Development Co LLC	U.A.E.	Holding company	100%	100%
DAMAC Properties Co LLC	U.A.E.	Holding company	100%	100%
Marina Terrace Co LLC	U.A.E.	Real estate development	100%	100%
DAMAC Gulf Properties LLC	U.A.E.	Real estate development	100%	100%
Lake Terrace Co LLC	U.A.E.	Real estate development	100%	100%
Royal Crown Properties Co LLC	U.A.E.	Holding company	100%	100%
DAMAC Star Properties LLC	U.A.E.	Real estate development	100%	100%
Island Oasis Properties LLC	U.A.E.	Real estate development	100%	100%
DAMAC Crescent Properties LLC	U.A.E.	Real estate development	100%	100%
DAMAC Development LLC	U.A.E.	Real estate development	100%	100%
Luxury Facilities Management Co LLC	U.A.E.	Facilities management	100%	100%
DAMAC Tuscan Residence LLC	U.A.E.	Holding company	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Abraj Al Rakhaa General Trading Limited	Iraq	Real estate development	100%	100%
Global Properties Company Limited	U.A.E.	Real estate development	100%	100%
Middle East Properties Company Limited	U.A.E.	Real estate development	100%	100%
DAMAC Fortune Properties Company Limited	U.A.E.	Real estate development	100%	100%
DAMAC Lake View Company Limited	U.A.E.	Real estate development	100%	100%
DAMAC Properties Company Limited	U.A.E.	Real estate development	100%	100%
DAMAC Park Towers Company Limited	U.A.E.	Real estate development	100%	100%
Excel Operations Company Limited	U.A.E.	Holding company	100%	100%
DAMAC Crown Properties Company Limited	U.A.E.	Real estate development	100%	100%
DAMAC Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
DAMAC Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
DAMAC Properties Lebanon SAL	Lebanon	Real estate development	100%	100%
DAMAC Properties International Limited	Mauritius	Holding company	100%	100%
DAMAC Enterprises Co Ltd	Mauritius	Trade marks	100%	100%
DAMAC Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
The Waves FZ LLC	U.A.E.	Real estate development	100%	100%
DAMAC Real Estate Developers FZ LLC	U.A.E.	Real estate development	100%	100%
DAMAC Properties FZ LLC	U.A.E.	Real estate development	100%	100%
DAMAC Real Estate Services Co LLC	U.A.E.	Holding company	100%	100%
Namaa Properties Development LLC	U.A.E.	Real estate development	100%	100%
DAMAC Homes LLC	U.A.E.	Group treasury operation	100%	100%
Kings Valley Investment Co LLC	U.A.E.	Shell company	100%	100%
DAMAC Properties Services Co Shj LLC	U.A.E.	Sales office	49%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Project development	49%	100%
Quality Investment Co LLC	U.A.E.	Shell company	100%	100%
DAMAC Properties Qatar WLL	Qatar	Holding company	100%	100%
Ocean Pearl Real Estate Company LLC	U.A.E.	Real estate development	100%	100%
Bright India Investments Limited	BVI	Shell company	100%	100%
Luxury Owners Association Management LLC	U.A.E.	Facilities management	100%	100%
Majara Investments Limited	BVI	Investment company	100%	100%
Ali Habib Kukar's Real Estate Office	Saudi Arabia	Sales office	0%	100%
Arjann Holdings Limited	BVI	Shell company	100%	100%
Middle East Dubai	Qatar	Shell Company	100%	100%
Premier Vision Property Development	Qatar	Shell company	100%	100%
Heritage Properties	Qatar	Shell company	100%	100%
Alpha Star Holding Limited	Cayman Islands	Holding company	0%	100%
Priority Holding Limited	Cayman Islands	Trust arrangement	100%	100%
Maksab Holding Limited	BVI	Holding company	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	Real estate development	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Elegance Marketing Co LLC	U.A.E.	Marketing and public relations	100%	100%
DAMAC Hotels & Resorts Management LLC	U.A.E.	Hotels management	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Blue Eagle Investment Co LLC	U.A.E.	Trust arrangement	100%	100%
DAMAC TR Holding Co Ltd	U.A.E.	Holding company	100%	100%
DAMAC FC Holding Co Ltd	U.A.E.	Holding company	100%	100%
DAMAC Private Real Estate Management LLC	U.A.E.	Investment company	100%	100%
DAMAC Business Village LLC	U.A.E.	Sales office	100%	100%
DAMAC World Real Estate LLC	U.A.E.	Sales office	100%	100%
Alpha Star Holding II Limited	Cayman Islands	Trust arrangement	0%	100%
DAMAC Canal One Property Development LLC *	U.A.E.	Real estate development	100%	100%
DAMAC Canal Two Property Development LLC*	U.A.E.	Real estate development	100%	100%
JA Parks LLC *	U.A.E.	Real estate development	100%	100%

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

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

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

During the year the Group liquidated its following subsidiaries:

Entity	Country of incorporation	Principal activities
Prosperity Trading WOFE	China	Trading company
DAMAC Ocean Heights Co LLC	U.A.E.	Sales office

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.4 Business combinations

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

Acquisition-related costs are generally recognised in the consolidated statement of comprehensive income as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale* and Discontinued Operations are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of comprehensive income.

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

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

3.5 Revenue recognition

Revenue from contracts with customers

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

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

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

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

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

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

Management fees

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

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.6 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, construction cost and all other costs, which are necessary to get the properties ready for sale.

Net realisable value represents the estimated selling value, based on sales relevant in the year, less costs to be incurred in selling the properties.

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

3.7 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.8 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 purchase consideration together with any incidental costs of acquisition. Cost includes 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:

Furniture and fixtures
Tools and office equipment
Motor vehicles

Years
6
6
6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.8 Property and equipment (continued)

An item of property and equipment is de-recognised 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 comprehensive income.

3.9 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 comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

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

3.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.11 Leases

For the years ended 31 December 2015 and 31 December 2014, the Group did not have any finance leases and all leases have been classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.12 Foreign currencies

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

All material transactions conducted by the Group are in currencies pegged to the US Dollar and there is no material impact of currency translation on the consolidated statement of comprehensive income.

Exchange differences are recognised in the consolidated statement of comprehensive income in the period in which they arise.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when an entity from the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: 'loans and receivables' and 'available-for-sale' ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, other financial assets and cash and bank balances (excluding advances to suppliers and prepayments) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

The Group's investments in shares are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 27.

Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. Gains and losses arising from impairment losses or changes in future cash flows are recognised directly in the consolidated statement of comprehensive income.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been impacted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interests or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of comprehensive income to the extent that the carrying amount of the investment, at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of comprehensive income.

Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated statement of comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of comprehensive income.

On derecognition of a financial asset other than in its entirety (eg: when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in statement of comprehensive income. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Financial liabilities

Other financial liabilities include bank borrowings, Sukuk certificates, trade and other payables and due to a related party. These are subsequently measured at amortised cost applying the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of comprehensive income.

3.14 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. Capital gains derived by the Group in such jurisdictions generally will be exempt from foreign income or withholding taxes at source. Management has evaluated the application of IAS 12 Income Taxes, and has determined that the Group has no such tax exposures at the year end.

3.15 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 comprehensive income in the period in which they are incurred.

3.16 Statutory reserve

In accordance with the Commercial Companies Law in the respective countries of operation and articles of association of the respective entities in the Group, 10% of profit for the year is required to be transferred to statutory reserve for certain entities. The respective entities may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the individual paid up share capital of such entities. The reserve is not available for distribution except in the circumstances stipulated by the Commercial Companies Law in the respective countries of operation and the articles of association of the respective entities in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3. Significant accounting policies (continued)

3.17 Cash and cash equivalents

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

3.18 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. An operating segment's operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to the management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements in applying accounting policies

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

Litigation

The Group is subject to litigation in the normal course of its business. Based on judgement with input from in-house legal advisors, management does not believe that the outcome of such court cases will have a material impact on the Group's consolidated financial position or financial performance.

Cancellation fees

Management believes that in relation to defaulting customers, once all negotiations and communication channels with the customers for renegotiating or for future payments are exhausted, it is appropriate to terminate contracts, and recognise cancellation fees in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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

Critical accounting judgements in applying accounting policies (continued)

Impairment of development properties

The Group reviews the realisable values of development properties to assess if there is an indication of impairment. In determining whether impairment losses should be recognised in the consolidated statement of comprehensive income, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling prices are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties in the consolidated statement of financial position to net realisable value.

At 31 December 2015, the Group engaged an independent external valuation expert to determine the market value for each of the properties. The market values, and future expected sales proceeds have been used in the assessment of net realisable value which resulted in an impairment of US\$ Nil during the year (2014: impairment reversal of US\$ 42.3 million).

Escrow accounts

Cash held in escrow represents cash received from customers which is held in escrow bank accounts managed by approved escrow agents. The balances held in escrow are short-term amounts readily available for construction payments for specific projects to which they relate upon commencement of construction as determined by management.

Financial investments

Financial investments represents the Group's 20% equity interest in a related entity (Note 10). Management has assessed the impact of IAS 28 *Investments in Associates and Joint Ventures* and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

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.

Going concern assumption

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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

Key sources of estimation uncertainty (continued)

Completion of projects

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

Provision for impairment on trade receivables

The Group reviews its receivables to assess adequacy of provisions at least on a quarterly basis. The Group's credit risk is primarily attributable to its trade receivables and amounts due from related parties. In determining whether provisions should be recognised in the consolidated statement of comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Useful lives of property and equipment

Property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

5. Segment analysis

Information reported to the Board for the purpose of the resource allocation and assessment of performance is primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations. The Group currently comprises a single reportable operating segment, being property development.

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

	2015 US\$ million	2014 US\$ million
Revenue		
Domestic	2,173.7	1,799.2
International	149.0	210.4
Total revenue	2,322.7	2,009.6
Development properties		
Domestic	2,012.2	1,795.4
International	475.9	532.1
Total development properties	2,488.1	2,327.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

6. Property and equipment

	Furniture and fixtures US\$ million	Tools and office equipment US\$ million	Motor vehicles US\$ million	Total US\$ million
Cost				
At 1 January 2014	17.9	14.6	0.8	33.3
Additions	2.3	5.5	0.5	8.3
Write-off	(1.3)	-	-	(1.3)
At 1 January 2015	18.9	20.1	1.3	40.3
Additions	1.0	3.6	0.1	4.7
Eliminated on disposal	-	-	(0.2)	(0.2)
At 31 December 2015	19.9	23.7	1.2	44.8
Accumulated depreciation				
At 1 January 2014	10.9	9.5	0.4	20.8
Charge for the year	1.7	2.0	0.1	3.8
Write-off	(0.6)	-	-	(0.6)
At 1 January 2015	12.0	11.5	0.5	24.0
Charge for the year	0.5	2.8	0.1	3.4
At 31 December 2015	12.5	14.3	0.6	27.4
Net book value				
At 31 December 2015	7.4	9.4	0.6	17.4
At 31 December 2014	6.9	8.6	0.8	16.3

7. Development properties

	2015 US\$ million	2014 US\$ million
Balance at the beginning of the year	2,327.5	1,932.7
Effect of change in policy (Note 2.3)	(162.5)	-
	2,165.0	1,932.7
Additions	1,266.1	1,189.5
Transfer to cost of sales	(943.0)	(833.0)
Transfers to a related party (Note 20)	-	(4.0)
Reversal of impairment	-	42.3
Balance at the end of the year	2,488.1	2,327.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

7. Development properties (continued)

Impairment of development properties

At 31 December 2015, the Group reviewed the carrying value of its land held for future development and development 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 market value for each of the projects including the expected sales prices.

This review resulted in an impairment reversal of US\$ Nil during the year (2014: impairment reversal of US\$ 42.3 million), reflecting stable macroeconomic conditions and expected future sales prices.

Assets held as development properties

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

	2015 US\$ million	2014 US\$ million
Land held for future development	469.5	140.1
Properties under development	1,847.2	1,876.1
Completed properties	171.4	311.3
	2,488.1	2,327.5

8. Other financial assets

	2015 US\$ million	2014 US\$ million
Escrow retention accounts	210.4	228.5
Margin deposits	2.3	2.8
Other	1.9	0.7
	214.6	232.0

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 carry interest at commercial rates.

At 31 December 2015, margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

9. Trade and other receivables

	2015 US\$ million	2014 US\$ million
Trade receivables	857.4	613.4
Less: Provision for impairment on trade receivables	(54.1)	(55.3)
	803.3	558.1
Advances and deposits	218.0	171.3
Prepayments and other receivables	13.6	13.2
	1,034.9	742.6

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

Movement in the provision for impairment on trade receivables:

	2015 US\$ million	2014 US\$ million
Balance at beginning of the year	55.3	29.8
Net (reversal) / provision for the year (Note 23)	(1.2)	25.5
Balance at end of the year	54.1	55.3

The Group has assessed and provided for doubtful receivable balances at the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

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

	Past due but not impaired				
	Neither past due nor impaired US\$ million	1 - 60 days US\$ million	61 - 180 days US\$ million	181 - 270 days US\$ million	Total US\$ million
31 December 2015	737.2	32.3	23.3	10.5	803.3
31 December 2014	490.7	27.0	35.7	4.7	558.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

9. Trade and other receivables (continued)

Ageing of impaired trade receivables is as follows:

	1 - 60 days US\$ million	61 - 180 days US\$ million	181 - 270 days US\$ million	Above 270 days US\$ million	Total US\$ million
31 December 2015	4.3	6.2	3.6	40.0	54.1
31 December 2014	2.0	11.9	18.2	23.2	55.3

10. Financial investments

During the year, the Group increased its investment in DAMAC International Limited, a related entity, from US\$ 5 million to US\$ 40 million, which represents a 20% (2014: 10%) equity interest in the related entity.

11. Cash and bank balances

	2015 US\$ million	2014 US\$ million
Cash on hand	3.9	0.2
Cash held in escrow	2,298.2	1,412.3
Bank balances	22.3	8.9
Fixed deposits	260.9	377.9
Cash and bank balances	2,585.3	1,799.3
Less: Fixed deposits with an original maturity of greater than three months	(245.7)	(342.6)
Cash and cash equivalents	2,339.6	1,456.7

Cash held in escrow represents cash received from customers which is held with banks authorised by the Real Estate Regulatory Agency ('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.

12. Share capital

	2015 US\$ million	2014 US\$ million
Issued, subscribed and fully paid shares of US\$ 1 each	983.0	650.0

During 2015, the Company received US\$ 150 million towards increase in share capital pursuant to Board of Directors' resolution dated 29 March 2015 and the shares were issued on 16 April 2015. In addition, the Company received a further US\$ 183 million towards increase in share capital pursuant to Board of Directors' resolution dated 29 September 2015 and these shares were issued on 30 September 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

13. Statutory reserve

In accordance with the Commercial Companies Laws in the respective countries of operation and articles of association of the respective entities in the Group, 10% of profit for the year is required to be transferred to statutory reserve for certain entities. The respective entities may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital of such entities. The reserve is not available for distribution except in the circumstances stipulated by the Commercial Companies Laws in the respective countries of operation and the articles of association of the respective entities in the Group.

14. Group restructuring reserve

The group restructuring reserve arose upon the group restructuring which took place on 3 December 2013. This reserve is not distributable.

15. Bank borrowings

	2015 US\$ million	2014 US\$ million
Bank loans	201.5	40.0
Overdrafts	77.4	35.3
	278.9	75.3

Banks and financial institutions

The Group has borrowings under various loan arrangements with a number of banks and financial institutions. These institutions provide the Group with term loans and overdraft facilities.

The Group has the following unsecured interest-bearing loans and borrowings:

- US\$ 40 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, fully repayable by 2016. During the year, US\$ 20 million was repaid.
- US\$ 75 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2016.
- US\$ 13.6 million (AED 50 million) term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. During the year, US\$ 2.3 million (AED 8.3 million) was repaid.
- US\$ 95.2 million (AED 350 million) Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

15. Bank borrowings (continued)

The repayment profile of the above bank borrowings is as follows:

	2015 US\$ million	2014 US\$ million
On demand or within one year	176.9	55.3
In the second year	102.0	20.0
	278.9	75.3

16. Sukuk certificates

	2015 US\$ million	2014 US\$ million
Proceeds from the issue of Sukuk Certificates	750.0	650.0
Gross issue costs	(7.8)	(6.3)
Less: Amortised up to year end	3.3	0.6
Unamortised issue costs	(4.5)	(5.7)
Carrying amount	745.5	644.3

- On 9 April 2014, the Group issued US\$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee with the Company as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "Trust") over certain 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 Certificates carry interest at 4.97% per annum and are secured by assigned trust assets

- On 21 September 2015, the Group issued US\$ 100 million SUKUK TRUST CERTIFICATES maturing in 2017. Alpha Star Holding II Limited is the Issuer and Trustee with the Company as Guarantor. The Sukuk was fully subscribed by a UAE financial institution. The Certificates represent the right to receive certain payments arising from an undivided ownership interest in the Trust Assets declared by the Trustee pursuant to the Declaration of Trust.

The Trust Certificates are secured by the assigned trust assets and carry interest at three months LIBOR plus 3.25% per annum

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

17. Provision for employees' end-of-service indemnity

	2015 US\$ million	2014 US\$ million
Balance at the beginning of the year	7.9	4.9
Charge for the year	2.9	3.3
Payments made during the year	(1.7)	(0.3)
Balance at the end of the year	9.1	7.9

18. Advances from customers

	2015 US\$ million	2014 US\$ million
Balance at the beginning of the year	1,985.1	1,715.3
Effect of change in accounting policy (Note 2.3)	(321.0)	-
	1,664.1	1,715.3
Amount billed during the year	2,289.6	2,314.0
Revenue recognised during the year	(2,317.5)	(2,003.7)
Other income recognised during the year (Note 22)	(130.6)	(40.5)
Balance at the end of the year	1,505.6	1,985.1

19. Trade and other payables

	2015 US\$ million	2014 US\$ million
Accruals	238.1	166.7
Other payables	184.9	216.0
Retentions payable	166.6	113.4
Deferred consideration for land payments	576.2	469.4
	1,165.8	965.5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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.

At the reporting date, balances with related parties were as follows:

	2015 US\$ million	2014 US\$ million
Due to a related party	-	11.0

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

	2015 US\$ million	2014 US\$ million
Entities under the Chief Executive Officer's control		
Construction works executed (i)	(9.4)	(30.4)
Investment in DAMAC International Limited (Note 10) (ii)	(35.0)	(1.0)
Transfers of development properties (Note 7) (ii)	-	(4.0)
Support services fees (Note 24) (iii)	1.6	-
Purchase of land plot	-	(32.0)
Sale of land plot	-	31.7

(i) Construction works executed

During the year, the Group utilised construction services worth US\$ 9.4 million from Draieh Contracting LLC, an entity under the control of the Chief Executive Officer.

(ii) Investment in DAMAC International Limited

During the year, the Group increased its investment in DAMAC International Limited, a related entity, from US\$ 5 million to US\$ 40 million (Note 10).

(iii) Support services fees

During the year the Group received US\$ 1.6 million from DAMAC International Limited, a related entity, towards support services rendered (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (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*.

	2015 US\$ million	2014 US\$ million
Short term employee benefits	5.5	2.4
Termination benefits – EOSB	0.1	0.1
	5.6	2.5

21. Revenue

	2015 US\$ million	2014 US\$ million
Apartment units	1,533.0	1,136.1
Sale of land	789.7	873.5
	2,322.7	2,009.6

22. Other operating income

	2015 US\$ million	2014 US\$ million
Penalties from overdue customers	6.1	7.0
Income from cancellation of units	130.6	40.5
Unit registration and transfer fees	0.4	0.3
	137.1	47.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

23. General, administrative and selling expenses

	2015 US\$ million	2014 US\$ million
Staff costs	126.8	114.7
Advertising and sales promotion	52.4	57.1
Rent and license fees	15.8	16.8
Legal and professional	13.9	14.1
Repairs and maintenance	9.4	9.7
Bank charges	7.4	6.0
Travel and conveyance	5.7	2.5
Communication	3.3	2.5
(Reversal of)/provision for impairment on trade receivables (Note 9)	(1.2)	25.5
Other	3.9	7.1
	237.4	256.0

24. Other income

	2015 US\$ million	2014 US\$ million
Property management fees	5.2	4.5
Gain on disposal of financial investments	-	0.6
Support services fees	1.6	-
Other	2.3	4.7
	9.1	9.8

25. Contingent liabilities

	2015 US\$ million	2014 US\$ million
Bank guarantees	289.2	239.8

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 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

26. Commitments

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

	2015 US\$ million	2014 US\$ million
Contracted for	2,017.8	1,651.8

27. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2015 US\$ million	2014 US\$ million
Financial assets		
Loans and receivables (including cash and cash equivalents)	3,609.2	2,589.7
Financial investments	40.0	5.0
	3,649.2	2,594.7
Financial liabilities		
At amortised cost	1,614.0	1,226.8

(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.

Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

27. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the year end, the carrying value of the financial assets and financial liabilities approximates to their fair values. The entire portfolio of financial investments (Note 10) is classified as Level 3.

28. 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 does not hold or issue derivative financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

28. Financial risk management (continued)

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the reporting date. The analysis is prepared assuming the amount of assets / liabilities outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease / increase by US\$ 1.0 million (31 December 2014: US\$ 2.6 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

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

(d) Credit risk management

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

Ongoing credit evaluation is performed on the financial condition of trade receivables.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

28. Financial risk management (continued)

(e) Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year US\$ million	1 – 2 years US\$ million	3 – 5 years US\$ million	Total US\$ million
31 December 2015:					
Non-interest bearing	-	589.6	-	-	589.6
Fixed interest rate instruments	4.82	-	98.5	647.0	745.5
Variable interest rate instruments	3.81	176.9	102.0	-	278.9
		766.5	200.5	647.0	1,614.0
31 December 2014:					
Non-interest bearing	-	507.2	-	-	507.2
Fixed interest rate instruments	4.97	-	-	644.3	644.3
Variable interest rate instruments	3.51	55.3	20.0	-	75.3
		562.5	20.0	644.3	1,226.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

28. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	Less than 1 year US\$ million	1 – 2 years US\$ million	3 – 5 years US\$ million	Total US\$ million
31 December 2015:					
Non-interest bearing	-	3,133.7	-	-	3,133.7
Variable interest rate instruments	1.87	475.5	-	-	475.5
		3,609.2	-	-	3,609.2
31 December 2014:					
Non-interest bearing	-	1,979.8	-	-	1,979.8
Variable interest rate instruments	2.09	609.9	-	-	609.9
		2,589.7	-	-	2,589.7

29. 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 Note 15 and Note 16, 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.

30. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding as at each year end. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

	2015	2014
Profit for the year (US\$ million)	1,228.9	937.0
Weighted average number of ordinary shares (Million)	804.0	650.0
Earnings per ordinary share – basic and diluted (US\$)	1.53	1.44

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

31. Dividend

A cash dividend equal to US\$ 0.23 per share amounting to US\$ 150 million for the year ended 31 December 2014 was proposed by the Board of Directors and approved by the shareholders in the annual general meeting on 22 March 2015. The dividend was paid on 29 March 2015.

An interim cash dividend of US\$ 0.42 per share amounting to US\$ 332.7 million for the period ended 30 June 2015 was approved by the Board of Directors on 4 August 2015. The dividend amount was paid as US\$ 183.0 million on 29 September 2015 and balance US\$ 149.7 million on 5 October 2015.

On 12 August 2014, an interim cash dividend of US\$ 162.0 million was declared and paid to the Chief Executive Officer and the GDR holders in relative proportion of their shareholding.

32. Comparative figures

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been reclassified in the consolidated statement of financial position and the consolidated statement of cash flows for the prior year ended 31 December 2014, as previously reported:

Extract of consolidated statement of financial position:

	As previously reported US\$ million	Reclassification US\$ million	As restated US\$ million
Liabilities – extract			
Advances from customers	-	1,985.1	1,985.1
Trade and other payables	2,950.6	(1,985.1)	965.5
	2,950.6	-	2,950.6

Extract of consolidated statement of cash flows:

	As previously reported US\$ million	Reclassification US\$ million	As restated US\$ million
Operating activities – extract			
Increase in advances from customers	-	269.8	269.8
Increase in trade and other payables	652.1	(269.8)	382.3
	652.1	-	652.1

33. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 was approved by the Board and authorised for issue on 10 February 2016.

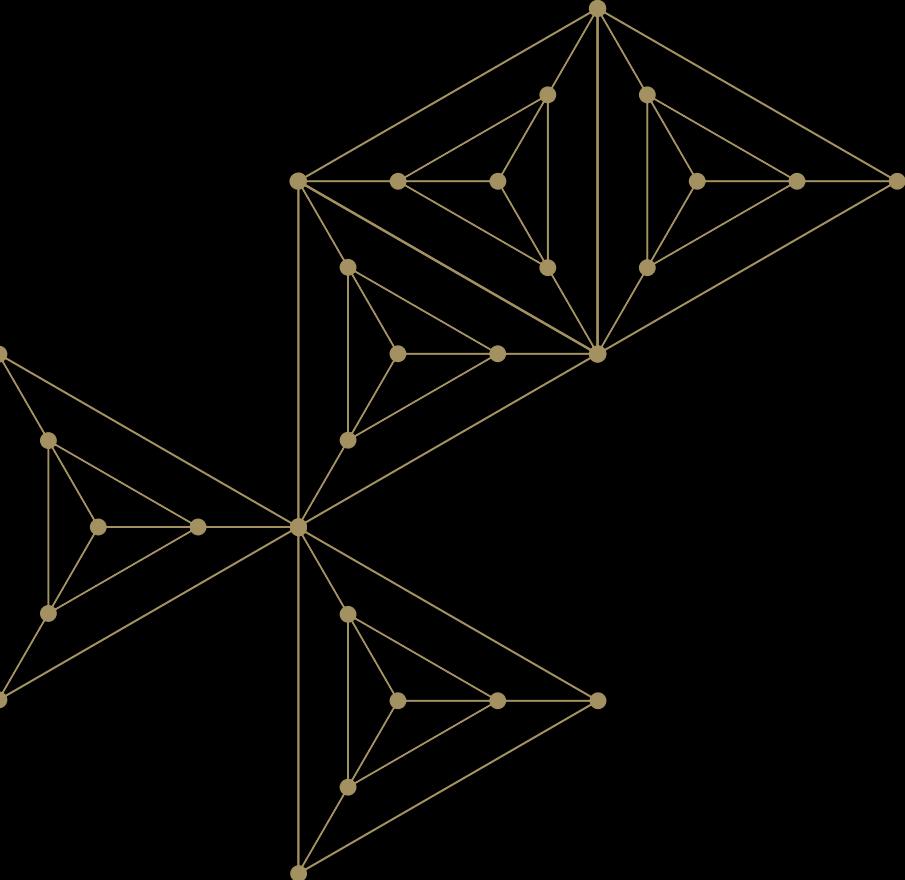
ADDITIONAL INFORMATION

BUSINESS ADDRESS

DAMAC Properties Development Co. LLC
Executive Heights
20th Floor, TECOM Area
P.O. Box 2195
Dubai
United Arab Emirates

INDEPENDENT AUDITORS

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates



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