LIVE THE LUXURY

ANNUAL REPORT
2014

DAMAC REAL ESTATE DEVELOPMENT LIMITED

CORPORATE OVERVIEW

STRATEGIC REVIEW

BUSINESS REVIEW

CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

DAMAC

LIVE THE LUXURY

DAMAC Real Estate Development Limited is owned 99.63% by DAMAC Properties Dubai PJSC which is listed on the Dubai Financial Market under the ticker "DAMAC". DAMAC Real Estate Development Limited represents the sole operating entity of DAMAC Properties Dubai PJSC.

CORPORATE **OVERVIEW**

ABOUT US

DAMAC Real Estate Development Limited ('DAMAC') - Pioneering luxury real estate across the region.

DAMAC Properties 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 with projects in the UAE, Qatar, Saudi Arabia, Jordan and Lebanon.

As of December 31st 2014, DAMAC Properties had delivered almost 13,000 homes, (Dubai, Abu Dhabi, Jeddah) and has a development portfolio of over 38,000 units at various stages of progress & planning. Included in this are almost 10,000 hotel rooms & serviced hotel apartments which will 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 deliver this vision for its customers, 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 prime 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 Organisation, luxury apartments with interiors by Italian fashion-houses Versace and FENDI, luxury villas styled by Trump and uniquely conceptualised Paramount Hotels & Resorts to deliver serviced living at it 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 sq ft.

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 Organisation, 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. The Trump Estates also offer a truly indulgent lifestyle in a private gated community.

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 which will comprise the first Paramount Hotel & serviced residences in the region.

DAMAC Properties' hospitality portfolio will extend within the coming three years to reach around 10,000 units. The company's pipeline of hospitality projects to be opened in the coming few months extends across the Burj Area and other key areas of Dubai with its DAMAC Maison and NAIA products.

With vision and momentum, DAMAC Properties is building the next generation of Middle East 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.

AL JAWHARAH

Year completed: 2014
Total built up area (Sq Ft): 838,366
Total saleable area (Sq Ft): 527,818
Total project value (US$ Mn): 254

- Select apartments with Versace Home interiors
- Concierge and 24-hour resident services
- Camera surveillance throughout
- Separate male/female swimming pools
- Separate male/female gymnasium
- Separate male/female sauna and steam room

DAMAC MAISON COUR JARDIN

Year completed: 2014
Total built up area (Sq Ft): 542,631
Total saleable area (Sq Ft): 290,356
Total project value (US$ Mn): 150

- Grand lobby
- Speciality shops
- Coffee lounge on the ground floor
- Spacious steam and sauna rooms
- Spa & Swimming pool
- State-of-the-art gymnasium

DAMAC MAISON CANAL VIEWS

Year completed: 2014
Total built up area (Sq Ft): 431,075
Total saleable area (Sq Ft): 208,184
Total project value (US$ Mn): 116

- Hi-speed internet
- Reception desk
- 24-hour security & security cameras
- Gymnasium
- Swimming pool
- Retail at ground level

CAPITAL BAY

Year completed: 2014
Total built up area (Sq Ft): 681,953
Total saleable area (Sq Ft): 327,942
Total project value (US$ Mn): 157

- Grand lobby
- Speciality shops
- Coffee lounge on the ground floor
- Spacious steam and sauna rooms
- Spa & Swimming pool
- State-of-the-art gymnasium

"We have maintained an extremely healthy margin, our balance sheet remains robust"

WE UNDERSTAND OUR MARKET EVOLUTION

FOCUS ON **SALES AND RAMPING-UP**

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 the debt position in 2008

FOCUS ON **CONSTRUCTION**

2009 - 2011 - Managed liquidity position and continued building throughout crisis

End of 2011 - Entry into the hospitality market and the establishment of DAMAC Maison

FOCUS ON **INNOVATION**

2013 - Brand associations (Trump/ FENDI/ Paramount)
- Launch of AKOYA by DAMAC
- First IPO following the crisis (Raised US$380mn)

2014 - Raised US$650mn Sukuk; 5 years maturity at 4.97%
- Acquisition and launch of 55 sq ft Masterplan development 'AKOYA Oxygen'
- Launch of region's first officially Sharia certified product

2002 2006 2008 2009 2010 2011 2012 2013 2014

DAMAC MAISON THE VOGUE

Year completed: 2014
Total built up area (Sq Ft): 346,058
Total saleable area (Sq Ft): 152,457
Total project value (US$ Mn): 77

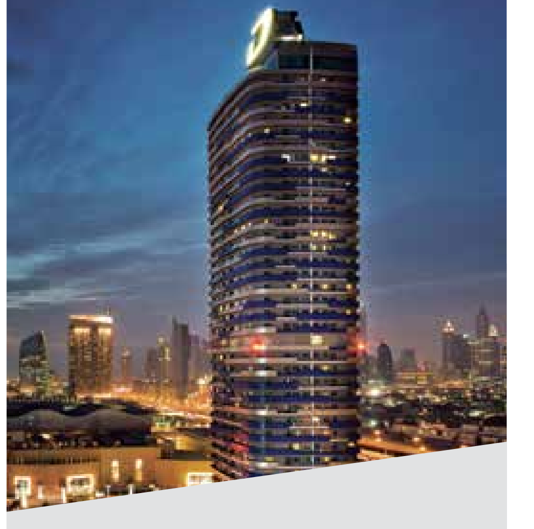
- Grand lobby
- Speciality shops
- Coffee lounge on the ground floor
- Spacious steam and sauna rooms
- Spa
- Swimming pool

EXECUTIVE BAY

Year completed: 2014
Total built up area (Sq Ft): 620,046
Total saleable area (Sq Ft): 285,542
Total project value (US$ Mn): 103

- Grand lobby
- Speciality shops
- Spacious steam and sauna rooms
- Spa
- Swimming pool
- State-of-the-art gymnasium

DAMAC MAISON DUBAI MALL STREET



Year completed: 2013
Total built up area (Sq Ft): 702,631
Total saleable area (Sq Ft): 385,976
Total project value (US$ Mn): 246

- Maison Cafe
- Chrysalis Spa
- Coffee lounge on the ground floor
- Outdoor terrace
- State-of-the-art gymnasium
- Swimming pool

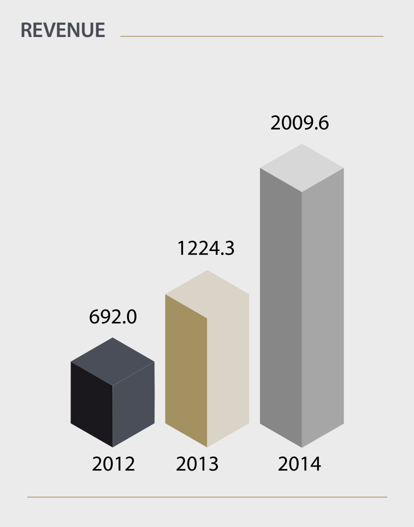
PARK TOWERS

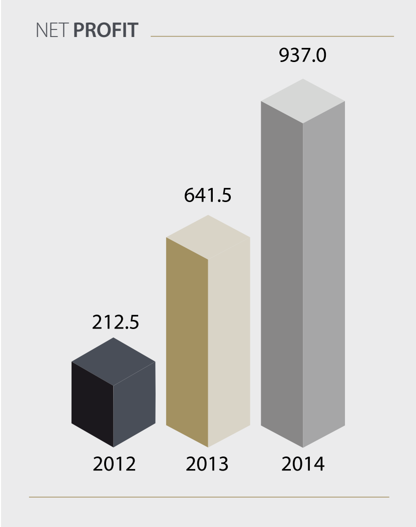
Year completed: 2012
Total built up area (Sq Ft): 1,746,480
Total saleable area (Sq Ft): 999,244
Total project value (US$ Mn): 510

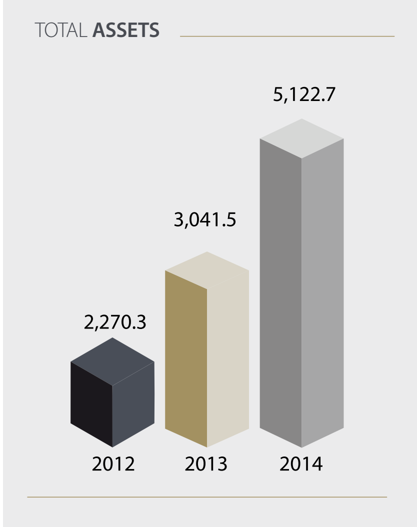
- Swimming pool
- State-of-the-art gymnasium
- Spacious steam and sauna rooms
- Jacuzzi
- Tennis court
- Exquisitely designed lobby with concierge

2014 HIGHLIGHTS

2014 was a milestone year for DAMAC; both as its first full year as a listed company and as a period in which the company delivered record financial performance.







*All in US$ Million

FINANCIAL HIGHLIGHTS

- Recognized revenue grew by **64% to US$2,009.6 million** (FY 2013: US$1,224.3 million)
- Gross profit increased by **49% to US$1,176.1 million** (FY 2013: US$788.0 million)
- Net profit increased by **46% to US$937.0 million** (FY 2013: US$641.5 million)
- Gross margin remained strong at **58.5%**
- Operating profit increased by **48% to US$939.3 million** (FY 2013: US$636.4 million)
- Cashflow from operations grew to **US$882.4 million** (FY 2013: US$489.8 million)
- Total assets stood at **US$5,122.7 million** as at 31 December 2014, representing growth of **68%** compared to 31 December 2013
- Development properties stood at **US$2,327.5 million**, as at 31 December 2014, an increase of **US$394.8 million** compared to 31 December 2013
- Shareholders' equity increased by **118%** from 31 December 2013 to **US$1,433.6 million** at 31 December 2014
- Gross debt stood at **US$719.6 million** (31 December 2013: $85.3 million). The increase in gross debt mainly pertains to the **US$650 million** Sukuk raised in April 2014 (five year note at a fixed coupon of **4.97% per annum**)
- Advances from customers stood at just short of **US$2 billion** as at 31 December 2014, compared to **US$1,715.3 million** as at 31 December 2013

SIGNING OF THE DUBAI METRO NAMING RIGHTS

JANUARY 2014
- Launch of AKOYA Park - introduced during the Dubai Shopping Festival

MARCH 2014
- Launch of Celestia luxury hotel apartments near the site of Dubai 2020 World Expo and Al Maktoum International Airport
- Trump Estates luxury mansions launched within AKOYA by DAMAC

APRIL 2014
- Issuance of US$650 million, five year, regulation 'S', unsecured Sukuk maturing in April 2019 at a profit rate of 4.97%
- Launch of The Vantage, a 33-storey serviced hotel apartments tower in Jumeirah Village

MAY 2014
- Launch of The Drive, a 2.5 km retail strip at AKOYA by DAMAC with major retail, entertainment and hospitality attractions such as the first outdoor ice rink, hotels and hotel apartments
- Announcement of NAIA, the second hospitality brand of DAMAC Hotels & Resorts
- Launch of Constella, the first officially Sharia certified hotel apartments in Dubai

JUNE 2014
- Announcement of NAIA Hotel to be next to NAIA Serviced apartments on The Drive at AKOYA
- The world's first FENDI villas go on sale at AKOYA by DAMAC
- Launched 2nd serviced apartment project in Doha; 'Burj DAMAC Waterfront' in Lusail

JULY 2014
- Launch of Loretto low-rise apartments at AKOYA by DAMAC
- Suburbia Jebel Ali receives the "green building certificate" from the Government of Dubai

AUGUST 2014
- Milestone launch of AKOYA Oxygen, a 55 million sq ft premium masterplan built around a Trump-operated, and Tiger Woods designed, golf course

SEPTEMBER 2014
- Company of the year: DAMAC Properties named 'Real Estate Company of the Year' at the Gulf Business Awards
- DAMAC Metro Station introduced after the company and the Dubai Governments' Road Transport Authority signed naming rights for the Dubai Marina metro station, one of the busiest stops in Dubai
- Trump Organisation announced as the operator of the AKOYA Oxygen golf course

OCTOBER 2014
- DAMAC Maison Canal Views hotel apartments opened its doors to customers

DECEMBER 2014
- DAMAC Properties announces Tiger Woods Design for Trump World Golf Course in AKOYA Oxygen
- DAMAC Maison opens Cour Jardin - 3rd serviced hotel apartments in The Burj Area

EXECUTIVE CHAIRMAN'S AND CEO'S MESSAGE

2014 was a record year for DAMAC, with the Company showing substantial increases in income and profits during its first full year as a listed company. We continued to deliver on our four-phased strategy of Buy, Design, Sell and Build.

Our first year as a constituent of the Main Market of the prestigious London Stock Exchange (LSE) has been exceptionally strong. During the year we completed 3,553 units cementing DAMAC as one of the top Middle East developers.

In April 2014 we issued a five year regulation 'S' unsecured US$650 million Sukuk maturing in April 2019 at a coupon rate of 4.97%. As part of this process we engaged with rating agency Standard & Poor's and received a "BB Stable Outlook" rating. While we see this as a very positive endorsement, our long term goal is to achieve a higher grade rating.

We have maintained an extremely healthy margin, our balance sheet remains robust and we have started investing the proceeds of the US$650 million Sukuk issue in replenishing our land bank, ensuring that we have a significant, high-quality and sustainable pipeline of land.

We believe we have invested in the right opportunities for our business, most notably the US$513 million acquisition of land for AKOYA Oxygen.

During the year we expanded our relationships with key brands, increased our hospitality offering and announced a landmark partnership with one of the world's most successful sportsmen.

We also demonstrated our significant ability as a master planner for the first time, as we progressed our major AKOYA by DAMAC development.

All of our markets remained strong and 2014 saw a continued increase in customer demand.

Following the period of rapid growth in residential house prices in Dubai during 2012 & 2013, we welcome the return to a healthier, more measured and sustainable level of growth, which we believe will continue for the foreseeable future.

DAMAC's Global Depositary Receipts (GDRs), which listed on the LSE in late 2013, closed the year with a market capitalisation of almost US$3 billion, making it the Middle East's largest London-listed developer.

Increased revenues and profits

During 2014, our revenue increased by 64% to US$2,009.6 million (FY13: US$1,224.3 million), a record figure for DAMAC.

This dramatic increase is due to higher revenue from development activities, with a significant proportion due to recognised revenue from the completion and handover of units sold and land portion of unit sales at our master developments, AKOYA by DAMAC and AKOYA Oxygen. These projects are proving to be successful with booked sales to December 31st 2014 of US$1.77 billion in AKOYA by DAMAC and over US$700 million in AKOYA Oxygen.

Our gross margin remained strong at 58.5% (2013: 64.4%), operating profit margin at 46.7% (2013: 52%) and net profit margin at 46.6% (2013: 52.4%).

We believe these healthy margins are driven by our land buying strategies, efficient design & execution capabilities and cost management behaviour that is expected to continue.

Operational highlights

2014 was a year of continued delivery and expansion. DAMAC launched many new projects, including AKOYA Oxygen, The Drive at AKOYA and Constella, officially the first Sharia certified hotel apartments in Dubai.

Total booked sales reached US$3.138.0 billion, an increase of 28% over the past year.

Developments completed during 2014 included Capital Bay, Executive Bay, Cosmopolitan, Waters Edge, The Vogue, Lincoln Park, Lakeside (partial) as well as our first international development, Al Jawharah in Saudi Arabia.

The delivery of Al Jawharah is testament to our ability to enter new territories and deliver on the platforms that we have built in these markets. We continue to assess other territories for expansion.

The launch of AKOYA Oxygen was a key milestone during 2014. It will be the biggest green masterplan development in Dubai, spread over 55 million sq ft and, in December 2014, we announced that Tiger Woods will design a championship quality golf course there. We also cemented our relationship with the Trump Organisation which will operate the course & clubhouse, its second mandate for DAMAC Properties.

In addition, we announced a further tie up with Paramount Hotels & Resorts with the Paramount Hotel Downtown Dubai, on Sheikh Zayed Road. These projects reflect DAMAC's market-leading ability to deliver the highest standards of branded luxury real estate.

We expanded our serviced & hotel apartment offering and have been quick to capitalise on this growing market segment. Since December 2013, we have opened three hotel developments under the DAMAC Maison brand. We have a pipeline of almost 10,000 hospitality keys under development. Our developments have proven extremely popular with consumers and we have received many positive reviews in the press.

In May 2014 we launched The Drive at AKOYA, a 2.5km retail strip at AKOYA by DAMAC. The development will be home to a host of outdoor entertainment, luxury fashion boutiques and a large children's play area, as well as an outdoor cinema, restaurants & cafés.

During 2014, DAMAC acquired land for almost US$600 million bringing the total pipeline (in progress and in planning) which, at the year-end, comprises 38,000 units, with a total estimated project value of circa US$20 billion. The current landbank now stands at around five years, a level that the Company believes is optimal for this point in the cycle and is in line with the development strategy.

Resilient and stable home market

Dubai remains the core market for DAMAC Properties with 92% of inventory originating from the Emirate. The Dubai real estate market has seen a number of reforms implemented by the authorities which have assisted in price stabilization within the market. We welcome these reforms, which ensure that Dubai remains highly attractive to investors, with prime residential apartment sales prices increasing by 23% in 2014 compared with 2013. Average rental yields for Dubai property in 2014 reached 7% compared with 3-4% in New York and 3.5-4.5% in London*.

The recent slump in oil prices has negatively affected the economies of a number of oil rich states. However, Dubai's highly diversified economy has been resilient, with only 4% of Dubai Government revenues coming from oil according to the 2015 budget statement. This is down from 5% in 2014 and Dubai will therefore continue to be a safe haven market within the region.

Dubai is also both politically and economically stable with a sustained population growth of 5.0% per year. Testament to this stability is that the Dubai International Airport has recently overtaken London Heathrow as the busiest airport in the world for international travelers, reflecting its prime geographic position.

The Government of Dubai has committed to running a zero-deficit budget for the fiscal year 2015, as well as announcing the creation of 2,530 new jobs in the Emirate. The budget of AED 41 billion (c. US$11.15 billion) was up 9% from 2014 and will see the greatest level of public expenditure, much of which will be on infrastructure projects, since 2009.

Strong fundamentals combined with prudent fiscal policies ensure that our home market of Dubai remains a focus.

Our customers

Every company exists because of its customers and I would again like to thank ours. We strive to exceed expectations and the DAMAC brand is increasingly synonymous with the highest levels of luxury in the Middle East. Demand for our product amongst customers from across the world remains exceptionally strong.

Our employees

On behalf of the entire Board, I would like to thank all our Company's employees. Their effort and contribution to the organization in ensuring that DAMAC lives up to all our customers' expectations is greatly appreciated.

Outlook

Looking ahead, we expect the market in Dubai to remain highly favourable, and we welcome the prudent and positive budget announcement from the Government of Dubai. The Emirate continues to offer a safe haven for investors within the region and we are focused on growing our business to take advantage of the current market conditions.

We are pleased to be reporting on a record year for DAMAC and having delivered on our promises we made at the time of our IPO at the end of 2013.

We are looking forward to yet another year of strong performance as we continue to focus on delivering value to our shareholders.

Hussain Sajwani

Executive Chairman and Chief Executive Officer

*Data from Cluttons/Phidar Advisory

CHIEF FINANCIAL OFFICER'S MESSAGE

Record results with revenues up 64% and operating profit up 48%

Group summary
In 2014 the Company had a record year with substantial increases in our key financial metrics, as well as a successful US$650.0 million Sukuk issue and the launch of an offer to exchange GDRs for Ordinary Shares, which began trading on the Dubai Financial Market post period end.

Recognised revenue increased by 64% to US$2,009.6 million compared to US$1,224.3.0 million in 2013, driven by the completion of 3,553 units and against a backdrop of a growing, but more stable and measured housing market.

We have reported another significant growth in operating profit of 48% to US$939.3 million over US$636.4 million last year. This reflects the growth in general and administrative expenses to US$256.0 million (FY 2013: US$181.1 million), rising in line with the increase in booked sales and staff numbers as business levels expand.

The Company's gross profit margin remains a industry-leading 58.5% for the year under review and we are confident that this high level of profitability is sustainable.

Other operating income
Other operating income decreased from US$69.4 million from the full year 2013 to US$47.8 million for the full year 2014, primarily due to a decrease in the income from cancellations, reflecting a more robust and stable market.

Finance income
Finance income increased by 251% from US$4.3 million in 2013 to US$15.1 million for the full year 2014. This increase was primarily due to a significant increase in off-plan sales resulting in higher cash and bank balances.

Finance costs
Increased to US$27.2 million from US$4.9 million in 2013 predominantly as a result of the five year regulation 'S' unsecured US$650 million, 4.97%, Sukuk, which was issued in April 2014.

Brokerage commissions
Brokerage commissions increased 6% to US$67.1 million (2013: US$63.4 million) as a result of the growth in booked sales.

Depreciation
Depreciation increased US$0.2 million, or 6%, to US$3.8 million (2013: US$3.6 million). This slight increase was a result of further purchase of depreciable assets in the comparative period.

Impairment on development properties
At 31 December 2014, and as at each reporting date, the Group's management review the carrying value of its land held for future development and development 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, management 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 a conservative impairment reversal on development properties of US$42.3 million during the year (2013 impairment reversal: US$27.1 million), reflecting continued but more measured growth in the Dubai housing market, favourable market macroeconomic conditions and a resulting improvement in current and expected future sales prices.

Adil Taqi
Group Chief Financial Officer

Gross margin remained strong for FY 2014
58.5 %

Sukuk issue
In April 2014 we announced the successful completion of the issue of a US$650 million Regulation 'S' senior unsecured Sukuk due 9 April 2019, carrying a 4.97% profit rate. The Sukuk "BB Stable Outlook" was admitted to trading on the Irish Stock Exchange on 9 April 2014 and NASDAQ Dubai on 10 April 2014.

The offering was heavily oversubscribed and was another strong endorsement of the market's confidence in DAMAC and our growth plans, allowing us to further diversify our investor base and improve capital efficiency in line with our tight risk management practices. In addition, it provides us with sufficient capital to continue on our growth trajectory in the medium term in order to maintain our leadership position in the luxury real estate sector.

Balance sheet and cash flow
Our balance sheet remains strong, with development properties comprising US$2,327.5 million (2013: US$1,932.7 million), or 45% of our total assets (2013: 63.5%).

A 211% increase in cash and bank balances from US$578.2 million as at 31 December 2013 to US$1,799.3 million as at 31 December 2014, comprises 35% (2013: 19%) of total assets, which is partly due to the Sukuk issue in April 2014 as well as the substantial increase in booked sales and collections.

As a result the Company's leverage remained low, with a net cash balance of US$1079.7 million as at 31 December 2014, comprising the increase of aforementioned cash and bank balances to US$1,799.3 million, and slightly decreased bank borrowing of US$75.3 million (2013: US$85.3 million).

We ended the year with gross debt of US$719.6mn as against our strong cash balance of US$1,799.3. This implies we maintain a healthy net cash position and our gross debt to equity is only 50% as at 31 December 2014. The majority of our debt is represented by the Sukuk issued in April 2014 with maturity in April 2019.

Operating cash flows, before changes in operating assets and liabilities, increased 46% to US$940.5 million (2013: US$644.3 million), underlining the highly cash flow generative nature of the business model, the number of new products launched and the improving business sentiment.

In regards to our landbank, we currently have approximately five years, which we believe is optimal for this point in the cycle. We continually appraise opportunities and will look to replenish the landbank with our pipeline as we work through existing sites.

Offer to exchange GDRs for Ordinary Shares
In September 2014, the Board launched an Offer to give Eligible Holders of DAMAC's GDRs the opportunity to exchange their GDRs for DAMAC Shares, which would be tradeable on the DFM following DFM admission. We believe that a DFM listing is 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, acceptances had been tendered (and not withdrawn) in respect of 97.4% of the GDRs, and the shares began trading on the DFM post the period end on 12 January 2015. Since listing (12th Jan 2015) up to 28th Feb 2015 we have seen 908.3mn shares been traded for a total trade value of AED 2,468.4mn (c. US$ 671.7 million).

We look forward to 2015 with much excitement.

DAMAC LISTS ON THE DUBAI FINANCIAL MARKET

STRATEGIC **REVIEW**

OUR STRATEGY

DAMAC is an established, chosen and trusted luxury real estate brand operating across the Middle East, with 13 years experience providing the highest quality luxury living experiences.

As the company grows, both geographically and in terms of product mix, the strategic focus remains centred around seven core principles:

STUNNING VIEWS ACROSS THE BUSINESS BAY CANAL AT DAMAC MAISON COUR JARDIN

- Cement DAMAC's position at the forefront of luxury real estate in the Middle East
- Strengthen and grow DAMAC's product range
- Consolidate and expand the company's extensive international customer base
- Ensure all products are delivered to the highest luxury standard to secure a premium price
- Focus on efficient project delivery
- Maintain an efficient capital structure
- Deliver shareholder value

US$2,009.6 MILLION

*Recognised revenue grew by **64%***

These strategic goals will be achieved through an efficient capital model which has the efficiency and flexibility to predict and respond to any changing market dynamics.

These principles drive all elements of the business and help ensure the company remains focused on its core strengths, while maintaining a competitive advantage by remaining entrepreneurial in its approach to seizing market opportunities.

DAMAC'S ICONIC MASTER DEVELOPMENT, AKOYA BY DAMAC WILL BE THE FOCAL POINT FOR LEISURE, BUSINESS AND LUXURY LIVING

OUR BUSINESS MODEL

DAMAC has developed a phased strategy of 'Buy', 'Design', 'Sell' and 'Build', supported by dedicated customer care, to allow close control over the development and delivery process. This enables the Company to ensure each property is of the highest quality, while maintaining a strong focus on risk and liquidity management.

DAMAC HAS A DEDICATED TEAM OF REAL ESTATE EXPERTS IN ALL FIELDS

A BUY

Sustainable land sourcing focusing on identifying prime opportunities at attractive value

B DESIGN

Customer-focused product design and positioning enabling premium pricing

C SELL

A comprehensive multi-faceted marketing approach

D BUILD

Comprehensive in-house capabilities enables efficient project execution

LAND ACQUISITION

Secure prime land in premium locations at competitive prices

DAMAC actively seeks to purchase land in premium locations in Dubai and the Middle East at competitive prices.

When selecting land, the development team identifies and prioritises opportunities based on its economic prospects, the supply and demand fundamentals in each market and the pricing it expects to achieve, together with factors such as: location, scenic views, proximity to amenities and infrastructure availability.

Outside Dubai, prospects are also evaluated based on the region's tax system, freedom of capital flows, return on equity, legal regime, regulatory environment, availability of finance in the market and competitive landscape.

PROJECT DEVELOPMENT

Optimise expected returns through creative design

DAMAC is dedicated to creating designs that represent the Company's luxury brand and optimise the commercial viability of the development.

Designs are selected on a wide range of factors, including ease of construction, marketability, efficiency, flexibility, uniqueness, sustainability and appeal to DAMAC's target customer base.

DAMAC has an expert in-house design team that adds value to projects by ensuring designs are cost-effective, without compromising quality and are engineered to achieve the optimum saleable area, thereby improving returns.

MARKETING & COMMS / SALES

Collect 30-40% of sales in the 1st six months to cover construction and de-risk

DAMAC has developed a sophisticated sales platform with a global reach, underpinned by extensive in-house sales and marketing teams and a sizeable international network of brokers.

The team adopts 'phased' launch strategies to achieve optimum price realisation and velocity of sales, ensuring a strong demand uptake, premium pricing, customer satisfaction, and a healthy flow of funds to finance construction costs.

DAMAC has also established a number of collaborations with leading global luxury brands, such as Versace Home, FENDI Casa, The Trump Organisation, Tiger Woods Design and Paramount Hotels & Resorts, to differentiate DAMAC products from competitors and create significant value through increased margins.

PROJECT MANAGEMENT & CRM

Mitigate construction risk by reducing uncertainties prior to project launch

DAMAC's comprehensive in-house capabilities enable strict cost control and meticulous project planning, ensuring efficiency of execution and a high degree of quality across all developments.

Key objectives of this phase include the mitigation of construction risk, optimisation of construction time and minimization of construction costs, high levels of quality control and appropriate contractor selection.

This enables DAMAC to both achieve a high level of return on equity through speed of execution and to recycle capital efficiently for further investments.

OUR MARKETPLACE

DAMAC has forged a stronghold in the top-end, luxury segment of the residential real estate market in Dubai and has a growing reputation across the wider Middle East. The DAMAC brand and logo is synonymous with luxury and quality at the highest levels, resulting in more than 50 international awards for the design, architecture, style and sustainability of its growing portfolio.

DAMAC'S FIRST COMPLETED PROJECT, MARINA TERRACE

While the luxury residential apartment sector remains the core business, DAMAC is currently expanding its experience and development expertise to include high-end branded living, luxury master developments set around championship golf courses, and the hospitality sector through serviced hotel apartments and hotels.

These exciting new developments remain at the top-end of the products in the market and include alliances with some of the world's leading luxury lifestyle brands, including FENDI Casa, Versace Home, The Trump Organisation, Paramount Hotels & Resorts and most recently, Tiger Woods Design.

The association with such brands allows DAMAC to create unique 'limited edition' properties set within luxury developments, which are capable of driving further increases to the existing premium level pricing structures. This highly desirable product has the dual benefit of creating customer demand and generating enhanced value for shareholders.

Geographical focus on growth markets

More than 80% of DAMAC's revenue is generated from projects in it's home city of Dubai and, as such, remains the Company's core market.

More than a third of the world's population, including much of India and China, are within a four-hour flight of the Emirate. This helped Dubai International Airport become the world's busiest airport for international traffic for the first time as detailed in its year-end traffic report which was released at the end of January 2015, which stated that passenger numbers were up 6.1% in 2014 over the previous year to a total of 70.4 million. In addition to the safe haven status, Dubai benefits from the government's continuos investment in infrastructure and social development with a deficit-free budget for 2015 at US$11.1 billion, an increase of 9% on 2014.

DAMAC HAS BUYERS FROM MORE THAN 120 COUNTRIES

With growth in tourism and population, DAMAC believes strongly in Dubai's fundamentals. Following Dubai's successful victory, and subsequent awarding of the World Expo in 2020 the Emirate is predicting tourism numbers will increase to 20 million by the time of the exhibition, with the show boosting numbers by an additional five million. According to the American think-tank, the Brookings Institute, Dubai is now one of the top five fastest growing economies in the world.

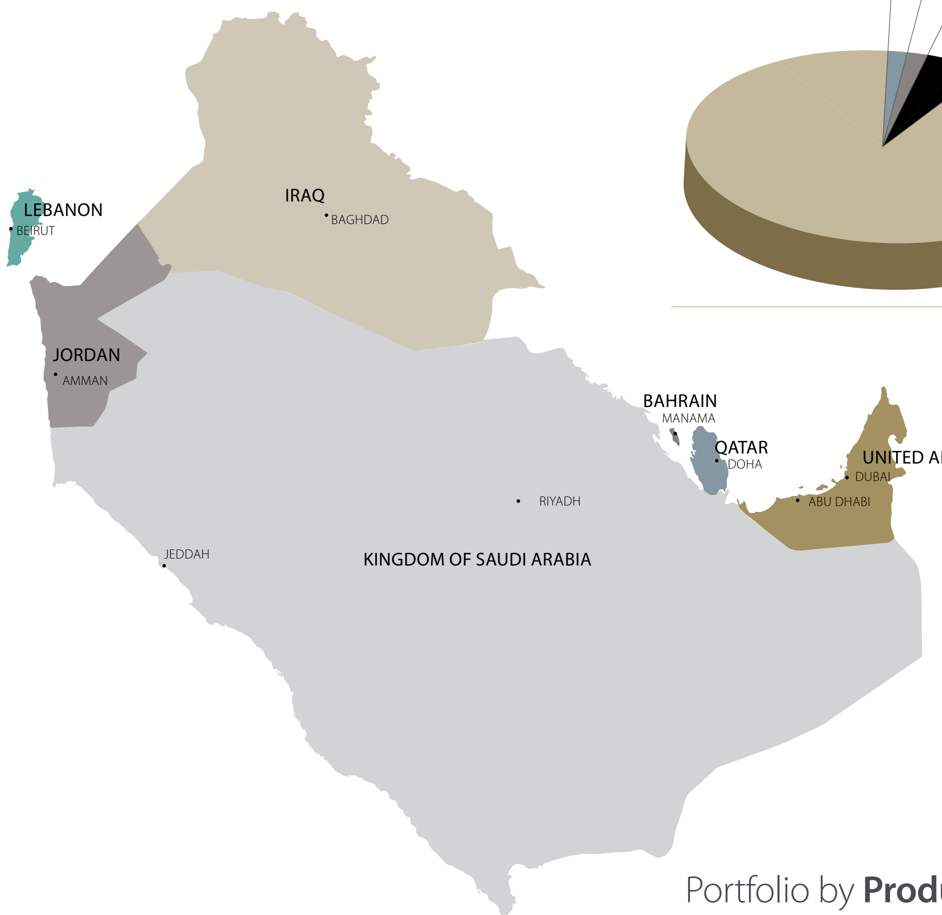
Dubai's ranking was boosted by a 4.5% growth in GDP per capita and a 6.5% increase in employment during the period. This period of strong growth is predicted to continue by the International Monetary Fund (IMF) which forecasts that's Dubai's economy will grow by 4.5% again in 2015 and 4.6% in 2016. This optimistic outlook is also reflected in the Dubai real estate market, with average apartment sales prices up 23% in 2014 according to JLL, with villas, an increasingly important sector for DAMAC, up by 12% across the year. Stringent regulations brought in by the Dubai government including a cap on mortgages and the doubling of the transaction fee to prevent quick re-sales and an artificially inflated market is having an effect and the market remains stable and secure.

DAMAC continues to expand into markets which offer value throughout the GCC, primarily in the Kingdom of Saudi Arabia and Qatar.

BUSINESS REVIEW

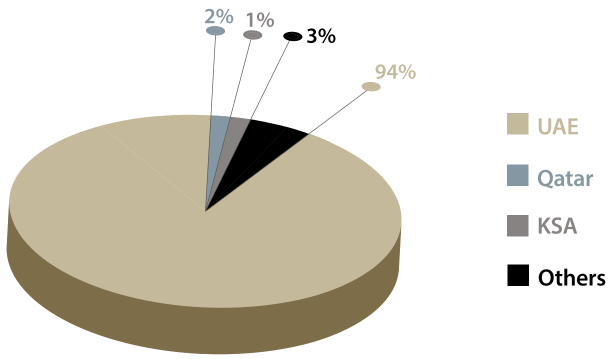
OUR PORTFOLIO

DAMAC has a mixed portfolio of luxury property from private apartments to hotels, hotel apartments, villas and a limited edition collection of branded developments. The company's product is making its mark across metropolitan cities across the Middle East.



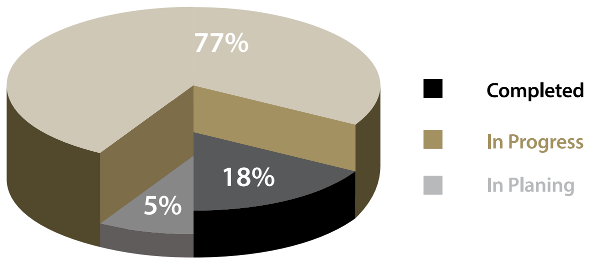
Portfolio by Location

(based on saleable area)

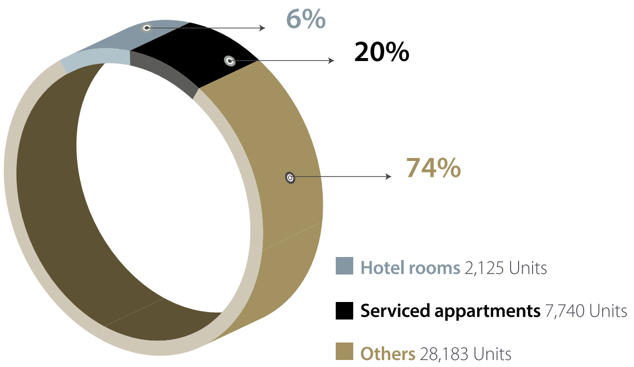


Portfolio by Development Status

(based on saleable area)

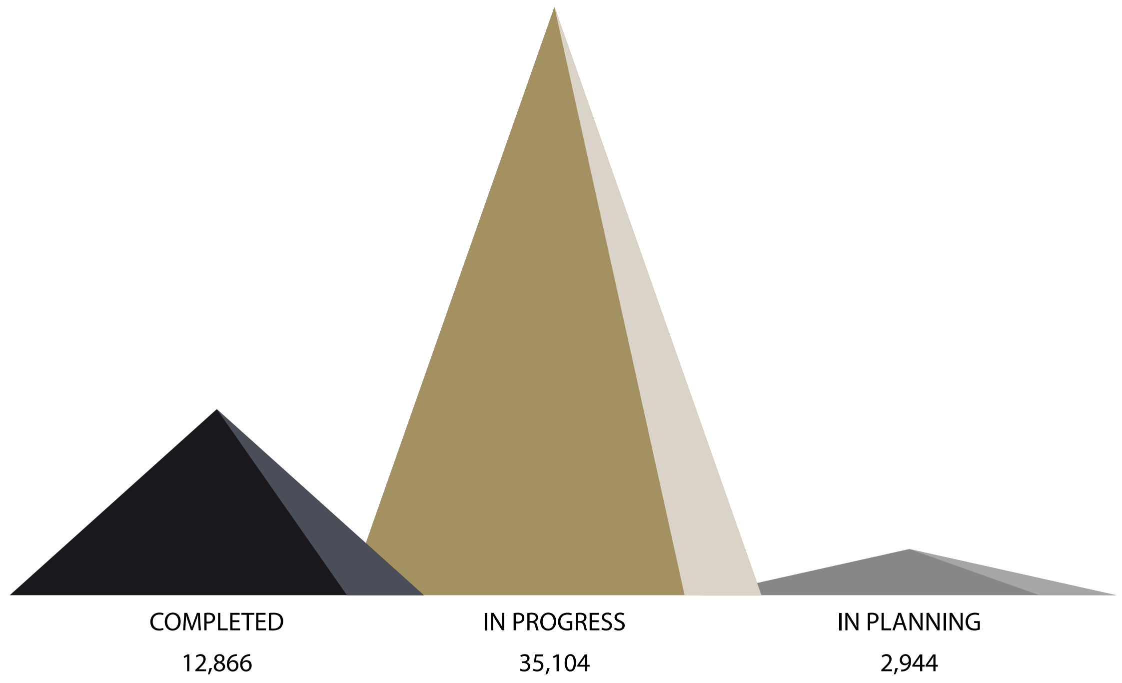


Portfolio by Product

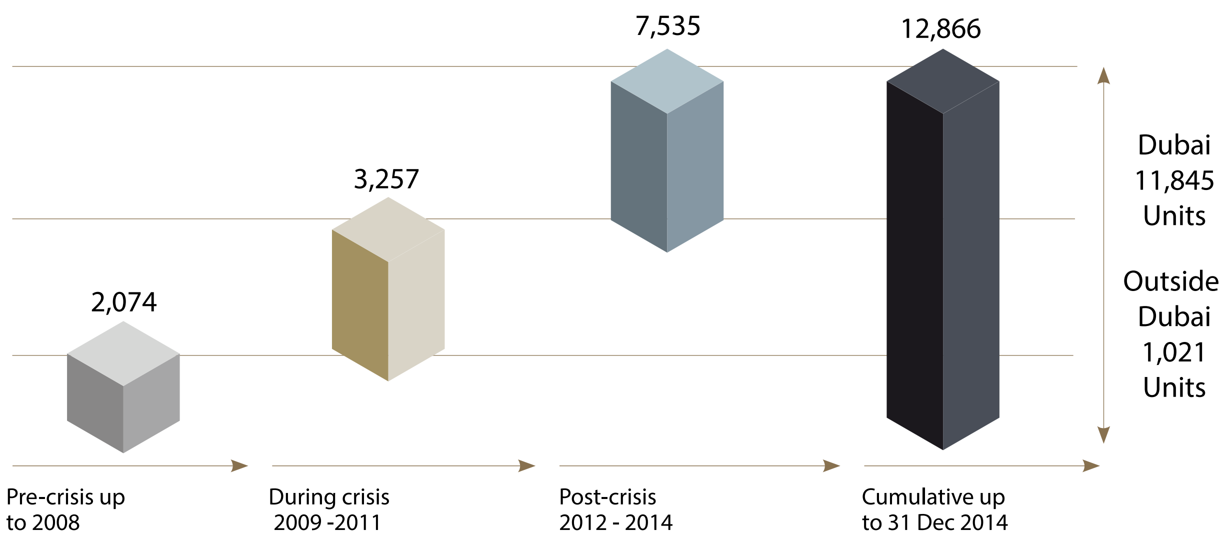


PORTFOLIO **OVERVIEWS**

(based on units)



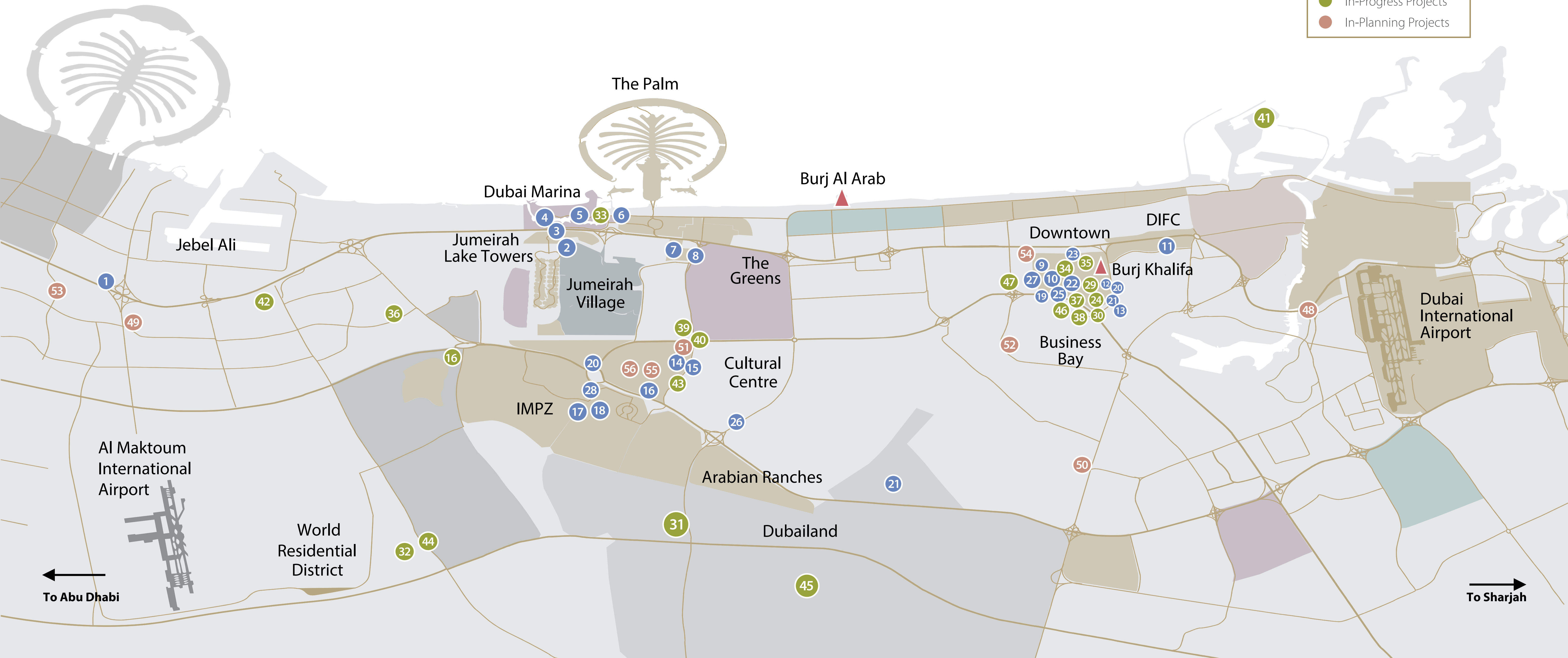
STRONG DELIVERY TRACK RECORD **ACROSS ECONOMIC CYCLE**



DAMAC Projects in Dubai

1. Suburbia 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. 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. The Vogue
23. DAMAC Maison Cour Jardin
24. DAMAC Maison Canal Views
25. Capital Bay
26. NAIA Miracle Gardens
27. Executive Bay
28. Lakeside
29. The Distinction
30. DAMAC Towers by Paramount
31. AKOYA by DAMAC
32. Tenora
33. DAMAC Heights
34. Upper Crest
35. Bay's Edge
36. Royal Golf Villas
37. Burjside Boulevard II
38. Privé by DAMAC
39. Ghalia Constella
40. The Vantage
41. Paramount Hotel
42. Suburbia C
43. Green Park B
44. Celestia
45. AKOYA Oxygen
46. Majestine Allure
47. Capital Bay C
48. Cultural Village
49. Central Square
50. Madison Residences II
51. Tuscan Residences II
52. Meydan
53. Parkside
54. Paramount Hotel Downtown Dubai
55. Jumeirah Village Plot 1
56. Jumeirah Village Plot 2

Completed Projects
In-Progress Projects
In-Planning Projects



A SELECTION OF KEY PROJECTS

At DAMAC Properties, our focus is on luxury residences with strategic line extensions to drive value to our customers. From luxury branded apartments in collaboration with fashion icons, FENDI and Versace, to stylish Paramount Hotels & Resorts and golf communities with the Trump Organisation and Tiger Woods, DAMAC Properties sits alongside the very best as a luxury developer of quality and merit.

The following are a selection of key projects by DAMAC Properties:

AKOYA by DAMAC

AKOYA by DAMAC

AKOYA by DAMAC will be a luxury lifestyle villa and apartment community development located within 30 minutes of the centre of Dubai, off Umm Suqeim Expressway. This will be a 42 million square foot lifestyle community development and aspires to be the most luxurious golf community in Dubai, offering premium branded mansions, villas, townhouses and apartments.

The AKOYA by DAMAC development, being built around the Trump International Golf Club, Dubai, was named the best 'Best Golf Development' in the world at the International Property Awards in London and continues to attract world-wide interest. DAMAC is working with a number of global brands on developments for AKOYA by DAMAC with Paramount Hotels & Resorts, FENDI and The Trump Organisation, each having their own branded living concepts within the development.

The project also includes a private 4.3 million square feet of open parkland, 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.

DAMAC VILLAS by Paramount Hotels & Resorts · FENDI STYLED VILLAS Interior Design by FENDI CASA · TRUMP International Golf Club Dubai · TRUMP/PRVT AT THE TRUMP ESTATES · The Park AKOYA · THE DRIVE /AKOYA

LUXURY VILLAS & MANSIONS AT AKOYA BY DAMAC

DAMAC believes it represents a unique and exciting alternative to its existing inventory of high-rise units. AKOYA by DAMAC is designed as a gated, green community of single-family mansions and villas surrounding a golf course owned by DAMAC. Prominent features of its design include:

- A Trump International Golf Club, designed by Gil Hanse, together with a driving range and a12-hole golf academy;
- single-family villas of two storeys facing the golf course;
- townhouses;
- luxury high and mid-rise units facing the golf course;
- a luxury spa and wellness centre to be maintained and operated by the Trump Organisation;
- international schools from pre-school to secondary school; and
- a range of restaurants, supermarkets and other shopping and entertainment outlets set around a 2.5km strip named The Drive at AKOYA that provides a complete village ambience to resort residents.

DAMAC currently plans to sell all residential units and to retain ownership of the golf club and club grounds as well as of the luxury hotel and retail areas.

The Golf Club will be operated by The Trump Organisation on a 25 year, renewable operations agreement.

AKOYA by DAMAC is designed to contain a total saleable area of 16.7 million square feet. AKOYA by DAMAC is scheduled to complete in multiple stages between 2015 and 2017.

The land for the AKOYA by DAMAC project is being paid for in installments corresponding to phases in its development and title to the land is registered as these installment payments are made.

AKOYA BY DAMAC INCLUDES THE TRUMP INTERNATIONAL GOLF CLUB, DUBAI

PROJECT INCLUDES RETAIL, SCHOOLS AND MEDICAL CENTRES

DEVELOPMENT **TIMELINE**

8 MONTHS

• MASTER PLANNING • DESIGN APPROVALS • BRAND ASSOCIATIONS • BASIC INFRASTRUCTURE WORKS • SALES LAUNCH

October 2012

23 October 2012 — AKOYA land SPA signed

16 June 2013 — Launch sales

August 2013 — Back villas infrastructure start

December 2014 — Booked Sales till date: c.US$1.77bn

AKOYA OXYGEN™

GREEN IS THE NEW BLACK™

THE 55 MILLION SQ FT PROJECT OFFERS LUSH GREEN ESCAPISM

MODERN STYLISH LIVING

DEVELOPMENT **TIMELINE**

27 July 2014	AKOYA Oxygen land SPA signed
13 August 2014	Escrow account
20 August 2014	First phase project launch & collections
29 August 2014	Phase 2 launch
31 December 2014	Booked Sales till date US$ 700 million

AKOYA Oxygen

Launched in 2014, AKOYA Oxygen is a 55 million sq ft development in Dubailand, offering a green and lush community to escape the city. The whole ethos of the project is based around a green concept that will be integral to this new community. The open spaces, amenities, gardens and water features set within the project are a key focus point and will take up approximately 50% of the land.

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 Organisation – 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 utilizing recycled materials and solar energy, making AKOYA Oxygen the first green luxury residential address in Dubai. Homes will be built according to Dubai's Green Building Regulations and 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.

The land for the AKOYA Oxygen project is being paid for in installments. The total outstanding consideration amounts to US$359.0 million, which is being paid for in installments corresponding to phases in its development and title to the land is registered as these installment payments are made.

TRANQUIL SPA RETREATS

DAMAC TOWERS BY PARAMOUNT STANDS TALL OVERLOOKING THE POPULAR BURJ AREA OF DUBAI

DAMAC TOWERS by Paramount Hotels & Resorts DUBAI

DAMAC Towers by Paramount

DAMAC Towers by Paramount 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 of a 'California cool lifestyle' synonymous with Paramount Pictures over the past 110 years. DAMAC plans to create a sophisticated Hollywood inspired ambience and intends to sell 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 5 star hotel complex to be operated by Paramount Hotels & Resorts, which will have 842 rooms. Hotel rooms are being sold on a management scheme.

DAMAC Towers by Paramount will include exclusive access to landscaped and pool areas, numerous health facilities, in-grounds parking and numerous high-end dining establishments. DAMAC Towers by Paramount is designed to contain four buildings containing over 1,900 units (including the hotel) with a total saleable area of c.2.0 million sq ft. DAMAC Towers by Paramount has a estimated project value of US$1.35 billion and is scheduled to complete in 2016.

HIGH-TECH MEDIA MAPPING WILL BE USED THROUGHOUT

DAMAC HEIGHTS SITS ON THE CORNER OF DUBAI MARINA LOOKING OUT OVER THE SEA AND THE PALM JUMEIRAH

DAMAC RESIDENZE
DUBAI MARINA

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

The top storeys of DAMAC Heights have been allocated to DAMAC Residenze, with interior designs by FENDI Casa. The luxury Italian designer is providing the furniture and furnishings as well as a complete fit-out of the lobby of the tower. DAMAC Heights is designed to contain over 600 units with a total built up area (BUA) of c.1.5 million sq ft and saleable area of 0.9 million sq ft

Interior Design by FENDI CASA

LUXURY APARTMENTS WITH FENDI CASA INTERIORS TAKE UP THE TOP 40 FLOORS

DAMAC MAISON
COUR JARDIN

EVERY HOTEL SERVICE IS OFFERED THROUGHOUT

DAMAC Maison Cour Jardin
Within walking distance to the Dubai Mall and Dubai Fountain, DAMAC Maison Cour Jardin is open for business in this bustling area of Dubai.

Strategically located in the heart of the business, dining & shopping district, this plush hotel is the ideal place for both business and leisure travelers, looking to shop in the world's largest mall or to visit the well known water fountains and many other attractions.

Spread across 19 floors, with more than 350 apartments, DAMAC Maison Cour Jardin offers refined living in comfortable deluxe rooms, with one, two and three bedroom suites on offer, all with exceptional services.

One of the special features of DAMAC Maison Cour Jardin is the 'Chrysalis Spa', offering the best body and skin treatments with specialized experts in the field.

The terrace is another highlight of the project, with a total area of more than 4,300 sq ft and set on the first floor. It represents an excellent option for large functions and events that can be held around the swimming pool within a 'green' set-up of natural plants giving an open and relaxed atmosphere in the middle of Downtown Dubai.

The development has a total saleable area of 0.3 million sq ft. DAMAC Maison Cour Jardin has a project value of US$150 million and was completed in 2014.

FIVE STAR FINISHING IS STANDARD

LUXURY AND STYLE COME TOGETHER IN THE HEART OF DUBAI

LUXURY VERSACE INTERIORS CREATE STUNNING OPULENT LIVING

DAMAC TOWER

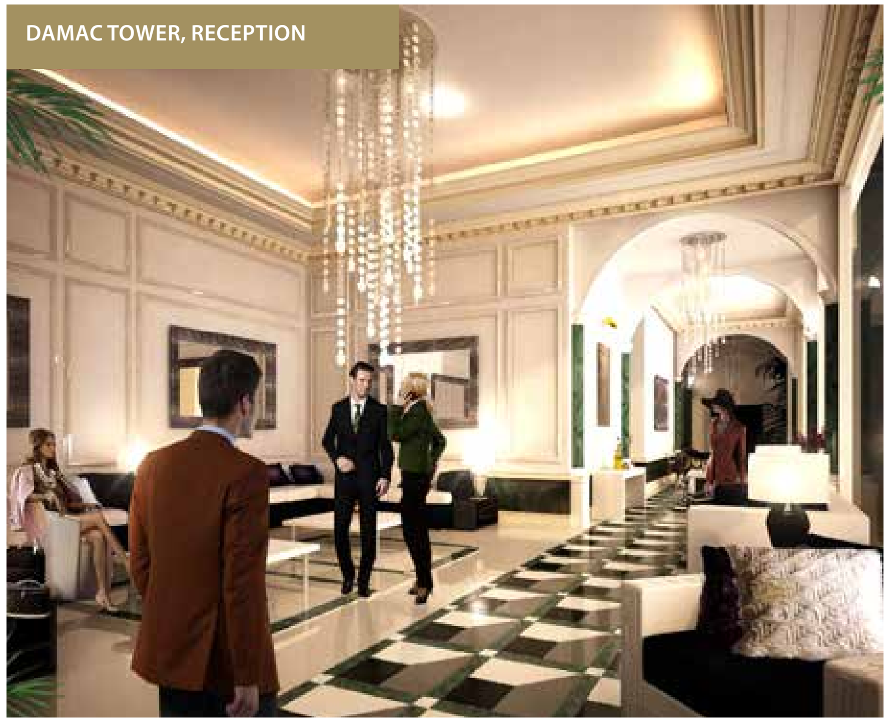
interior design by VERSACE HOME

DAMAC Tower with interiors by Versace Home

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

DAMAC Tower with interiors by Versace Home contains 188 units with a total saleable area of 0.3 million sq ft and has a project value of US$253 million and is scheduled to complete in 2015.

DAMAC Tower with interiors by Versace Home won the award for 'Best High Rise Architecture in the World' at the International Property Awards in 2010 which is widely considered to be one of the most prestigious awards in the real estate industry.



DAMAC TOWER, RECEPTION

DAMAC RESIDENCES

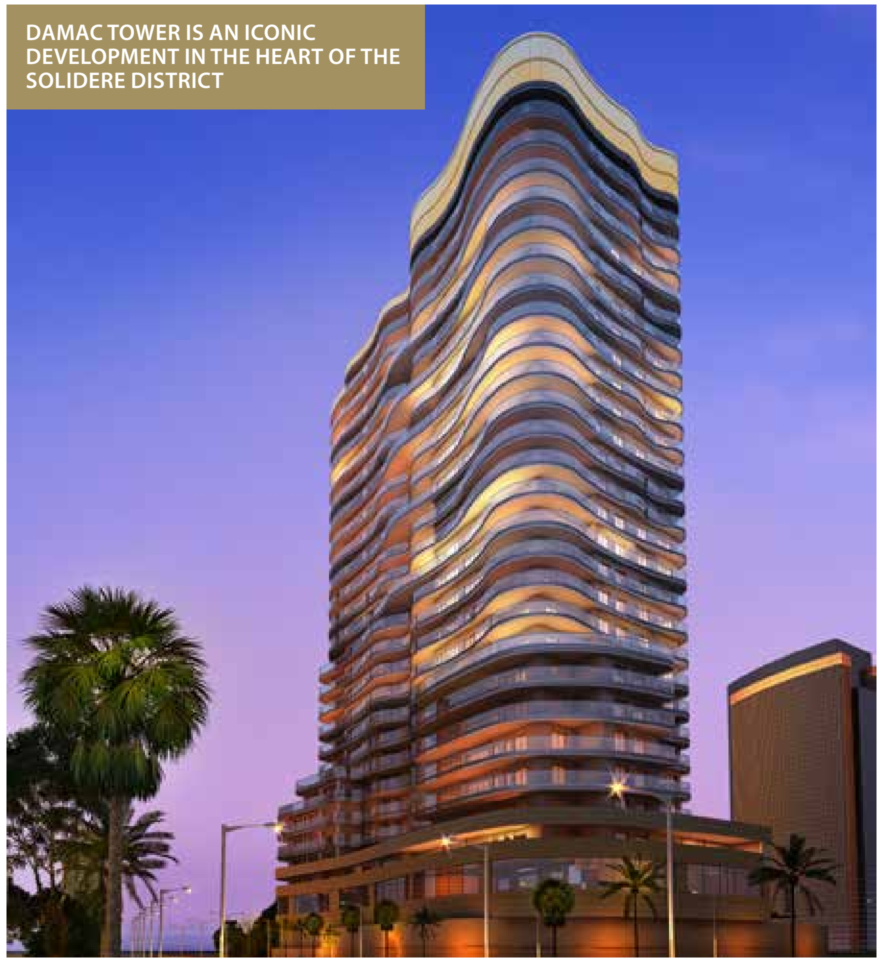
interior design by VERSACE HOME

Al Jawharah

Al Jawharah is a luxury residential project in Jeddah, Saudi Arabia. This is the first international project ever delivered by DAMAC. The project offers customers the opportunity to acquire penthouses as well as one, two or three bedroom apartments. The higher floors are branded 'DAMAC Residences with interiors by Versace Home'. Al Jawharah is located on the Jeddah Corniche (Ocean Drive) and provides waterfront views of the Red Sea. The Company believes that Al Jawharah represents a unique opportunity in Jeddah for luxury living in a high-rise development with full luxury amenities, including gym, swimming pool and spa, squash court, game room and on-premises parking.

Al Jawharah contains 300 units with a total saleable area of 0.5 million sq ft. Al Jawharah has a project value of US$254 million.

AL JAWHARAH WAS DAMAC'S FIRST COMPLETED PROJECT OUTSIDE THE UAE



DAMAC TOWER IS AN ICONIC DEVELOPMENT IN THE HEART OF THE SOLIDERE DISTRICT

DAMAC MAISON
UPPER CREST

DAMAC Maison Upper Crest
DAMAC Maison Upper Crest is a 44-storey iconic tower in the heart of the Burj Area in Dubai offering unrivaled views overlooking the world's tallest tower, the Dubai Fountains and easy access to the world's busiest and largest shopping mall.

Managed to five-star international hotel standards by DAMAC Properties' hospitality arm, DAMAC Maison, those residing will enjoy 24-hour concierge services, a luxury gymnasium & health club and restaurant.

DAMAC Maison Upper Crest is designed to contain 391 units with a total saleable area of 0.4 million sq ft and has a project value of US$251million.


OPULENT SURROUNDS WELCOME YOU


DAMAC MAISON UPPER CREST LOOKS OUT TO THE WORLD'S TALLEST TOWER


DAMAC MAISON THE DISTINCTION HAS A VARIED SELECTION OF ROOM SIZES AND FINISHES

DAMAC MAISON
THE DISTINCTION

DAMAC Maison The Distinction
DAMAC Maison The Distinction is a 195-metre, 53-storey, iconic tower overlooking the platinum real estate in the heart of Dubai, with enviable views of the world's highest fountain, largest mall and tallest tower.

Managed by DAMAC Maison, these luxury serviced hotel apartments will offer a mix of studios, one, two, three and four-bedrooms and penthouses. Lavished with the highest quality amenities to be enjoyed by the residents, DAMAC Maison The Distinction includes a luxury spa which houses a relaxing Jacuzzi and peaceful sauna to complement the high-tech gym and plush swimming pool.

DAMAC Maison The Distinction is designed to contain 305 units with a total saleable area of 0.4 million sq ft and has a project value of US$286 million.


OVERLOOKING KING FAHD ROAD, DAMAC ESCLUSIVA HAS AN ENVIABLE LOCATION IN RIYADH

DAMAC Esclusiva
DAMAC Esclusiva with interiors by FENDI Casa, will be 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 (including furniture and furnishings) 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.

DAMAC'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 472 units with a total saleable area of 0.6 million sq ft and has a project value of US$344 million.

DAMAC ESCLUSIVA
RIYADH


FENDI CASA INTERIORS SHOWCASE THE HIGHEST FASHION

OUR PERFORMANCE OVER THE YEAR

DAMAC achieved record-breaking figures for the full year 2014, thanks to a superior product, strong sales & marketing operation and a return of confidence in the Dubai real estate market.

Dubai continues its rise
The Dubai real estate market has recovered, and stabilised over the past couple of years to elevate it to one of the top property investment markets in the world. A report compiled by Cushman & Wakefield pointed to the fact that recent price growth in the market has seen Dubai jump from 186th place, to 39th worldwide in the space of a year.

Following house price rises of 56% in the two years to June 2014 (JLL Report, January 2015), Dubai has again become one of the most attractive, and safe, real estate investment markets in the world.

In recent months, prices have started to find their level based on current market demand, and the stability and security that is being offered has increased confidence on a global scale.

For the year ahead, the property market across the Emirate will be going through a building phase. As these developments work their way through construction, we will see the first completions and handover of units towards the end of 2015.

For example, the 42 million square foot AKOYA by DAMAC luxury golf community will welcome its first owners within the next 12 months with a phased development of further units being handed to owners across 2016.

This is a similar pattern for other projects in Dubai, which is why current market dynamics point to further growth over the next 12 months as the demand for property is outstripping the current supply in the market.

Even with the new handover of apartments and villas into the market, we see continued demand. Dubai is growing and growing fast. The population sits just over 2.3 million people; a figure which is predicted to grow at a rate of 5% a year, which equates to an additional 115,000 residents arriving in Dubai in 2015.

Add to this the growth in tourism in the coming years – Dubai is set to add on average an additional two million more tourists per year in the lead up to 2020 – and demand remains high.

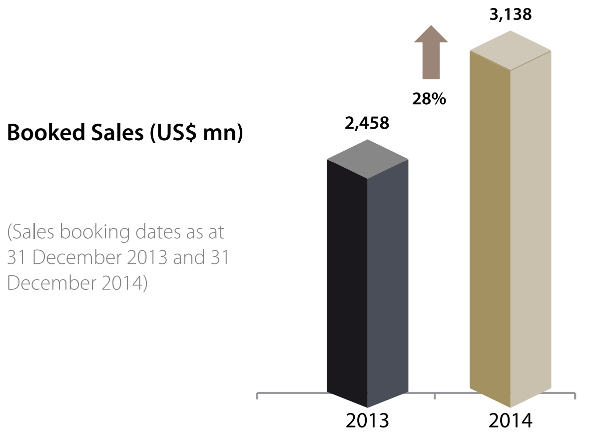
Dubai is well set. New regulations, strong government backing, an ideal geographical position linking the east & west set within a secure, peaceful and thriving entrepreneurial environment.

The real estate market will continue to drive the sentiment in Dubai, and with strong leadership and vision, the Emirate is set for many more years of growth.

Operational Achievements
2014 has been an important year of growth and expansion for DAMAC, which has seen a host of operational enhancements to secure the company's position at the forefront of luxury real estate development.

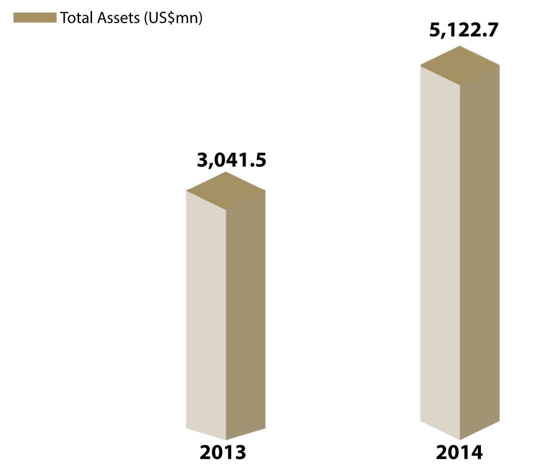
DUBAI REMAINS THE FOCAL POINT FOR DAMAC'S OPERATIONS

Performance Highlights

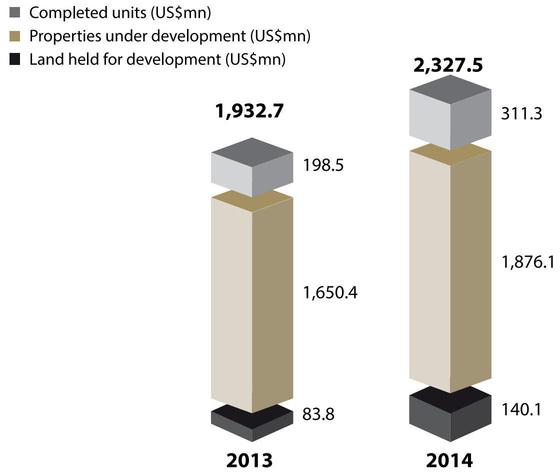


US$5,122.7 MILLION
DAMAC's total assets

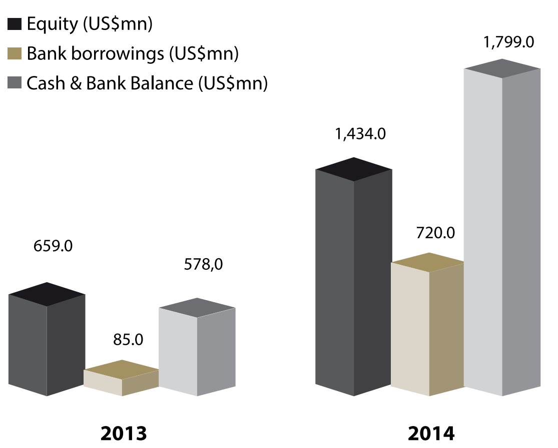
Total Assets



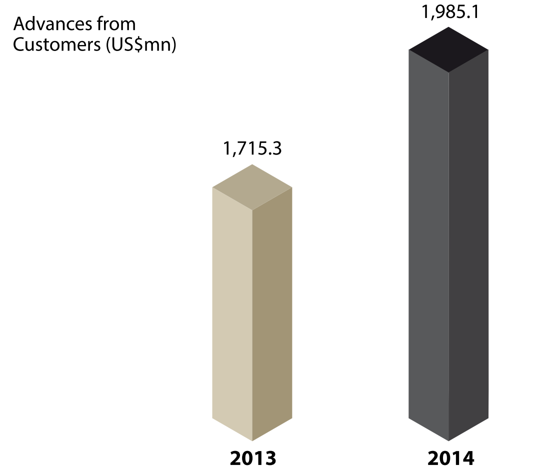
Development Properties



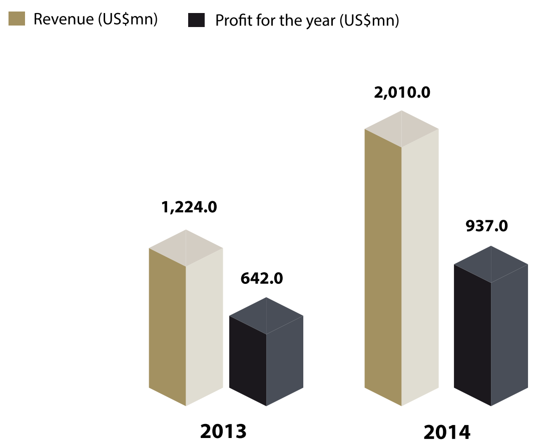
Capital Structure



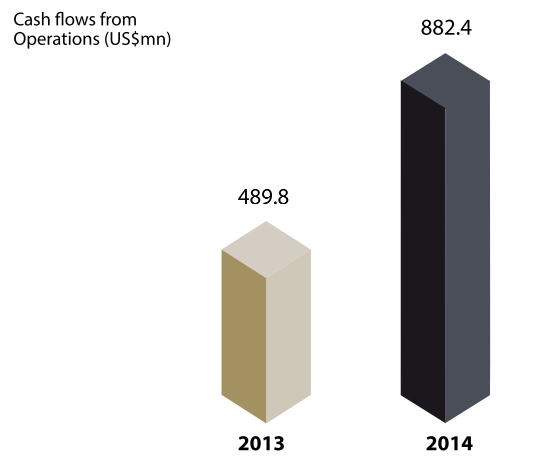
Advances from Customers



Revenue & Profitability



Cashflows from Operations



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 c.1,950 at 31 December 2014.

DAMAC's personnel are organised into the following principal divisions:

Business Development
The Business Development team at DAMAC work in the market 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 at the right time. The team have an unrivaled understanding of the market conditions and combine this with an extensive contact database allowing the team to always ensure the very best land plots for the company.

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, for land acquisition and with customers, through to data protection and ensuring a tight legal framework relating to the Company's obligations relating to the stock market and disclosure.

Finance
DAMAC's finance team is responsible for financial performance management, accounting, capital structure management, balance sheet management, management information systems, forecasting, reporting and budgeting. Typically, the day-to-day activities of this team encompass assessing the feasibility of new developments' financial projections, budget management, credit management and operational finance.

Talent acquisition and 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 encompass global recruitment, running induction programmes, visa processing, performance management and administration. Training and development of staff is a core principle of the business and as the Company has grown over the past year, 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, 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 will cover the research, purchase and implementation of the latest software to keep DAMAC at the forefront of efficiency and service in addition to providing a day-to-day pro-active maintenance of current systems and hardware.

Sales
The 500-strong sales team is responsible for working with prospective clients to provide the best luxury living product for their needs.

The team works from 12 global sales centres, with focus in Dubai, utilizing current contact networks with support from the marketing team to identify and convert prospects. This is supported by a pro-active and extensive sales road show campaign which encompasses many countries from key target demographics. The team work 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.

THE DAMAC BRAND IS PROMINENTLY DISPLAYED IN KEY LOCATIONS THROUGHOUT DUBAI

Marketing
DAMAC's marketing talks to potential buyers in their home country, utilizing a 360º approach, utilizing online and social media, in addition to more traditional TV, print and outdoor advertising.

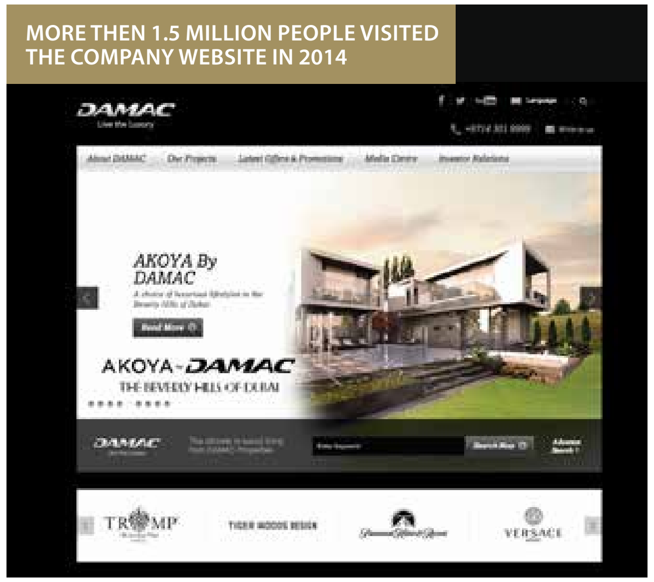
DAMAC prides itself on a strong in-house team of experts that can quickly respond to market dynamics and capitalise on opportunities in many countries.

The Company also has a strong face-to-face presence in the most popular tourist areas of Dubai; from the International Airport through to Dubai's busiest shopping malls. The new technology implemented allows the leads team to quickly qualify and covert potential clients during the meeting on the various stands.

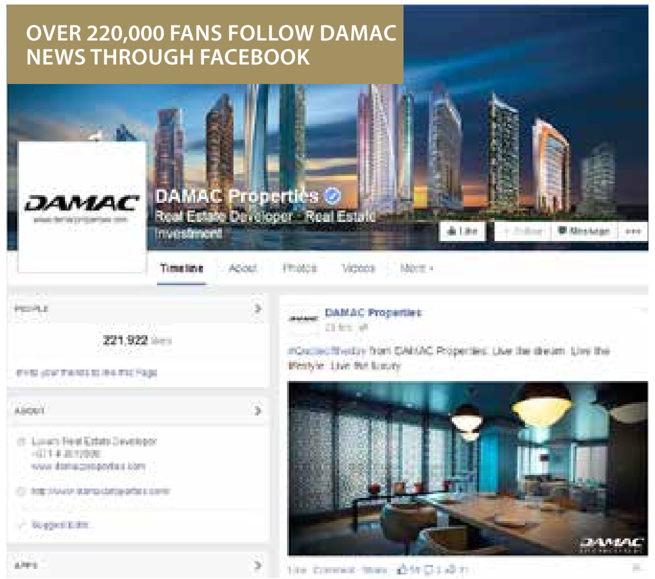
DAMAC also has a strong presence through sales road shows in countries including India, Pakistan, China and across the GCC, as well as in Dubai.

These activities are supported by a pro-active 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.



MORE THEN 1.5 MILLION PEOPLE VISITED THE COMPANY WEBSITE IN 2014



OVER 220,000 FANS FOLLOW DAMAC NEWS THROUGH FACEBOOK

DAMAC's Facebook page now includes more than 220,000 fans and is supported by communication across Twitter and You Tube.

Contacts and potential leads are driven to the company website: **www.DAMACproperties.com** which saw more than 1.5 million visitors in 2014, with over 18 million page views.

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. The company has also agreed a long-term deal to rename the Dubai Marina metro tram stop as 'DAMAC'. This is close to our early completed developments, The Waves and Marina Terrace, and will be a key stop on the route to the World Expo 2020 site.

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 Reports, 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 Organisation and Tiger Woods Design.

Investor Relations
DAMAC's investor relations division is responsible for handling all interaction from shareholders, analysts, investors and potential investors. This also includes analyst and investor road shows as well as financial public relations. In addition to a strong in-house team, DAMAC works with financial communication advisors including FTI Consulting.

Project Management
More than 400 staff 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 GFA. The team also ensure flexibility in the designs to allow for changes throughout the process to better serve customer needs based on market dynamics.

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

During 2014 the team won 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 this to third parties), dealing with routine insurance matters, providing accounting services, such as invoice payments and account management and general secretarial services.

Management
DAMAC has a corporate structure to include a host of management committees (eg; Pricing, Tendering, Design) created to align operational decision-making processes and best practice governance across the company.

FORMAL STAFF APPRAISALS AND RECOGNITION EVENTS ARE USED FOR CAREER DEVELOPMENT

In addition the company has implemented a performance management system to transfer DAMAC's objectives and values into key metrics which can be monitored at a departmental level. This includes formal staff bi-annual appraisals which are used for career development, and awarding bonuses and rewards. The company also provides a range of benefits to employees, including health insurance, housing allowances, annual flights home and measurable bonus schemes.

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's projects, including DAMAC Maison Dubai Mall Street, DAMAC Maison Cour Jardin, DAMAC Maison The Vogue and NAIA Breeze. The team of experienced hoteliers provide all requirements of an up-market hotel from concierge, front of house, cleaning, and maintenance, through to F&B and spa services.

DAMAC MAISON HOTELS & RESORTS

NAIA HOTELS & RESORTS

DAMAC HAS A POTENTIAL CUSTOMER LIST OF MORE THAN 1/4 MILLION

Our Customers

DAMAC has a solid customer base from 120 countries and over 250,000 potential customers in its database.

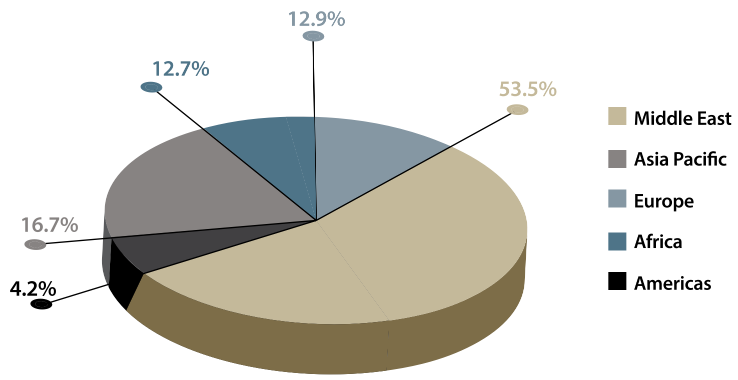
The customer base is managed by DAMAC's client relationship management team through the use of the latest CMS management systems. This holds information on current and prospective clients in addition to the information garnered from the network of international sales office and agents.

The following table illustrates the proportion of clients based in Africa, Asia, Europe, the Middle East, North America and other countries (page 45).

In-line with the buyer base of DAMAC clients, more than half of the company's marketing spend is typically invested outside Dubai. Locations and target demographics are determined by the specific product and lifestyle offering.

The large majority of DAMAC customers will fund their purchases through direct sources and equity without the need for mortgages, however in 2014 the company signed an agreement with Abu Dhabi Commercial Bank (ADCB) to provide financing on specific off-plan units within the AKOYA by DAMAC development.

Real Estate **Buyers**



Based on 2007-2014 booked sales value

Managing customer relationships

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 mange all requests.

The team utilises the latest version of Oracle's industry standard eBusiness Suite ERP. DAMAC continues to implement new information technology systems, including automation and upgrade of the CRM, sales and sales support system through a combination of application upgrades and implementation of new systems.

Customer satisfaction measurement

DAMAC has one of the highest repeat customer figures against any of its competitor set. Almost one third of buyers have bought again from DAMAC, highlighting the quality and delivery focus throughout the process. After the handover of a property DAMAC also provides the facilities management services to the owners' association in all of its completed projects.

Health, safety and the environment

Responsibility for health, safety and the environment ('HSE') on the sites of the company's developments lies with the contractors. DAMAC is committed to ensuring a safe & secure environment and has dedicated HSE executives across its developments to ensure that the highest levels of safety and industry best practices are implemented by the contractors on-site. The team is in place to ensure that all international and local municipality regulations are adhered to at all times.

In addition, at each project, a manager is designated to regularly conduct unannounced inspections of the site. This would include all elements, including the physical working conditions of the site, from safety equipment to the working heights and enclosed spaces, to paperwork and procedural issues including, but not limited to, certifications, fire and first aid procedures and training registers.

The designated DAMAC project manager has been provided with full authority to the appointed health and safety officer to issue reports, stop work and impose fines should designated HSE policies not be followed.

This officer will also track weekly and monthly reports of the conditions and safety procedures in place on-site, and measure against stringent key performance indicators including metrics such as the number of workers on-site, the amount of lost days and any first aid requirements or accidents. On some projects DAMAC will utilize the services of an external health and safety consultant to perform this task and report directly to DAMAC's project manager. DAMAC always seeks to ensure compliance with all local municipality and the highest international health and safety guidelines and regulations.

These regulations and practices are also filtered through into the areas of quality and environmental management processes and DAMAC is committed to the UAE Government's 'green buildings' initiative, to create energy-efficient residential and commercial buildings that support development. In this regard, DAMAC is proud that it has become the first company ever to receive a Green Building Certification from the Department of Planning & Development, 'Trakhees'.

'Trakhees', the department for Planning & Development, a Dubai-based local regulatory authority and the first to undertake local certification, bestowed the honour on the Suburbia Jebel Ali project. The project demonstrated its compliance to Environment, Health & Safety (EHS) Sustainability criteria for the built environment, and became the first project to ever be certified 'green' under the scheme. The EHS In-House Green Building certification involves stringent compliance requirements and an exhaustive review process.

DAMAC is also continually looking at various recycling initiatives for its existing and new luxury community lifestyle developments. In applying for building regulation approvals via the Dubai Municipality, DAMAC aims to meet all the points of the UAE Government's green initiative, including the UAE government's highest green building and performance measures, resulting in environmentally responsible, profitable and healthy places for its customers to live and work.

SUSTAINABILITY AND CSR

As DAMAC continues to grow and become more international, the focus on continually developing its employee engagement and broader sustainability activities grows too. The company is committed to broadening its Corporate Social Responsibility (CSR) strategy and continues to adopt international best practices throughout the organisation.

Detailed below are a few of the activities DAMAC has undertaken, or continues to pursue, in order to enhance the energy efficiency of its developments, support charitable causes, and, through its employee engagement programme, make DAMAC a better place to work.

AKOYA OXYGEN WILL BE THE GREENEST DEVELOPMENT IN DUBAI

Focusing on sustainability and green standards at AKOYA Oxygen

The design of the 55 million sq ft lifestyle community, AKOYA Oxygen, focuses heavily on sustainability and green standards to ensure it provides a healthy and green environment for those who will ultimately live, work and spend leisure time at the finished product. AKOYA Oxygen's design aims to reduce energy consumption and pollution as well as minimize the wastage of natural resources both during the construction and once the project becomes a living community.

The design also takes into account the natural lighting and enhances the external views of the vast green spaces.

Many innovative technologies have been employed at AKOYA Oxygen to improve sustainability including solar-energy utilization, landscape irrigation, eco-friendly interiors, and a recycling system, as well as dedicated spaces for bicycles and initiatives to encourage the use of hybrid and electric cars.

Ecology & Planning:

- Preferred parking is to be provided for a combination of low-emitting, fuel-efficient and car-pool vehicles for at least 5% of the total parking spaces. This parking will be close to the main entrances or internal access points and be clearly identified with direction signs and permanent pavement paint signage.
- Secure bicycle racks or storage will be provided for 15% of apartments or occupants. Racks or storage will be indoors or shaded and within 30m of a building's entrance.
- Minimum 25% of the planted area (including vegetated roof) to utilize native or adaptive plant species. For all new villas at least one palm tree must be planted.
- Full cut-off light fixtures to be used for exterior lighting to prevent light being emitted, either directly or indirectly, above the horizontal plane passing through the lowest part of the fixture. Architectural accent lighting to be shielded to prevent lighting of the night sky. Automatic controls will also be provided to minimize unnecessary waste.
- Minimum 75% of the area of externally painted walls must have a Light Reflective Value (LRV) of minimum 45%.

Building Vitality:

- An Indoor Air Quality Plan to be implemented during construction which adheres to a minimum of the following measures: protection from airborne contaminants, protection from contamination of heating, ventilating and air conditioning. Equipment, filters to be used for HVAC equipment used during construction.
- For enclosed parking: ventilation system is provided as needed.
- Smoking to be prohibited in [both internal and external] common areas and designated smoking areas to be provided 25 feet away from entrances, doors, operable windows and air intakes.
- Minimum 90% of regularly occupied areas must have direct lines of sight (views) to the outdoor environment.

Resource Effectiveness:

- Escalators will incorporate reduced speed controls and use on demand features.
- Elevators will use speed control and energy efficient lighting.
- All pipes carrying refrigerant, hot water or chilled water and ducts, including prefabricated ducts, supplying conditioned air, must be insulated to minimise heat loss and prevent condensation.
- For all new villas and service accommodation, a solar water heating system is installed to provide domestic hot water requirements.
- 100% of the total exterior landscaping must be irrigated using non-potable water or drip or subsoil water delivery systems.
- At least 50% by volume or weight of waste material generated during the construction and/or demolition of buildings must be used in landfills.

Using high-end technologies to drive energy savings at DAMAC Towers by Paramount

The iconic DAMAC Towers by Paramount development is another example of DAMAC's use of high-end technologies to drive energy efficiency.

Being a flagship project for both DAMAC and Paramount Hotels & Resorts, the project has been designed to achieve a high level of sustainable and environmental practices during its entire life cycle, starting with design and construction, all the way through to its operational life.

This has been achieved by adhering to the EarthCheck environmental certification and benchmarking system with the goal of obtaining a high rating relative to such a high-end facility.

Highlighted below are a few examples of the strategies that have been implemented to help pursue this goal at each stage of the process.

Construction:

- Energy savings: This is to be achieved by using energy-efficient equipment, tools and lighting throughout the construction, in addition to opting for authority electricity connection for construction instead of regular diesel generators.
- Water savings: Limiting the fresh water on-site and using chemicals that reduce water demand during curing.
- Dust and noise control: Ensuring minimal dust and particle propagation from the site, and limiting the construction noise pollution.
- Construction materials: Using reusable and recyclable formwork and other construction support wherever possible.
- Staffing: Maintaining close proximity of construction worker accommodation to minimize transportation trips.

Project design:

- Energy savings: Energy efficiency has been designed into the project through the use of efficient active building equipment including:
- Energy saving lamps: Providing compact fluorescent lamps wherever possible.
- Power factor correction: Through the use of power factor correction capacitors we are able to increase the power factor of the system from 0.8 to 0.9 which improves efficiency and avoids wastage.
- Lighting control system: Incorporating lighting control systems to ensure that light usage correlates to actual demand in the following areas:
- Car park: Lights will be timer-controlled and automatically operated in groups of 50% or 100%, as required.
- Typical floors: Saving energy by scheduling lights to operate in groups of 30%, 60% and 100% based on a time schedule corresponding to usage.
- External: Lights are controlled by sensors that switch 'on' all external lights when the external light level falls below a set value.

Mechanical:

- Secondary chilled water pumps: The secondary pumps will be fitted with variable speed drives and employed to circulate chilled water in the secondary circuit, i.e. the supply and return network to all floors after the heat exchangers.
- Pumps shall circulate varying amounts of water in direct proportion to the demand dictated by cooling requirements by the AHUs and FCUs provided with two port control valves. Therefore, at times of low demand, most of the water remains circulating in the circuit only, thereby providing significant saving in electrical energy consumed by the pumping system.

AS A KEY COMPANY IN ITS HOME CITY OF DUBAI, DAMAC IS INVOLVED IN NUMEROUS ACTIVITIES SUCH AS THE GOVERNMENT'S BLOOD DRIVE

- Thermal heat wheel – heat recovery units: The central extract system risers from toilets and general extract will be discharging cold air at 25°C to 26°C. Heat recovery sections comprising air-to-air thermal wheel heat exchangers will be added to the fresh air handling units (FAHUs) to exchange cooling from the extract air duct risers, thus reducing the temperature on the cooling coil of FAHU. A significant tonnage of cooling can be retrieved by these units, which improves efficiency and saves energy.

DAMAC AWARDED DUBAI'S FIRST GREEN CERTIFICATE

In July 2014, Suburbia Jebel Ali became the first building in Dubai to receive the official 'green building certificate' from the government of Dubai.

The project demonstrated its compliance to Environment, Health & Safety (EHS) Sustainability criteria for the built environment, and became the first project to ever be certified 'green' under the scheme. The EHS In-House Green Building certification involves stringent compliance requirements and an exhaustive review process.

Suburbia Jebel Ali was shown to use nearly 30% of its materials with recycled content, and had sourced more than 22% of its materials regionally. The project will also achieve an energy saving of more than 22% and 33% savings on potable water use.

The incorporation of native adaptive vegetation and highly efficient irrigation design has reduced landscape water demand by 68%, while 22% of the roof area is covered with vegetation and 51% is covered with roofing materials with high SRI value (Solar Reflectance Index) which reduces heat island effect.

DAMAC Properties – Supporting the Community

Since its establishment in 2002, DAMAC Properties has been at the forefront of the luxury real estate market in Dubai. As its home city, where the vast majority of its projects are delivered, the company is also a leading light in the local community and supports various causes and events throughout the year which benefit both the local and international community.

DAMAC Properties works with, and supports, a number of Dubai Government initiatives which aim to better the lives of the Emirati people, especially the disabled, young and underprivileged. The Company also backs international campaigns which send aid and funding to countries where support is needed to improve lives.

Below are a few examples of the activities which DAMAC Properties undertook throughout 2014:

- DAMAC Properties donated AED one million to the #UAECompassion campaign, to support thousands of refugees in Jordan and Lebanon who were hit by Hurricane 'Huda'.
- Sponsorship of the 'Sport versus Crime' international conference organised by Dubai Police, to help create a better society by reducing crime and developing a healthy and socially responsible society.
- More than 160 staff from DAMAC Properties donated blood to support the people in need, especially those suffering from Thalassemia.
- DAMAC Properties donated AED one million to the UAE Red Crescent for its water aid campaign initiated by H.H. Sheikh Mohammed bin Rashed Al Maktoum. The Company was honoured following the donation during a special ceremony held for the occasion that included many of UAE's top influential business people.
- Sponsor of the 12th edition of the Umm Al Quwain Youth Football Championship.

RISK MANAGEMENT

The Company's activities in the Middle East, and specifically Dubai's real estate market expose it to various risks; managing these risks demands preparedness, active involvement and risk mitigating actions.

The Company is managed by a very experienced team that has in place a comprehensive risk management plan that is continually monitored across the breadth of the business. This focuses on activities that help reduce to a minimum any possible adverse effects on the Company's performance. In addition, the Risk Committee reviews and monitors, on a regular basis, the exposure of the Company's activities to all risks and their mitigation actions.

Market

Changes in the Middle Eastern economic and political environment

DAMAC monitors changes in the Middle Eastern political and economic environment through ongoing research from a diverse set of sources and adapts accordingly.

Real estate market risks

The Company's management has extensive experience in the real estate development sector in markets across the world, enabling it to deal with the continually evolving market environment.

The strategy of the business is to maintain a portfolio that is diversified by development type and geographical location in order to reduce its exposure and thereby mitigate risk.

The Company monitors its cash position constantly and manages its exposure to off plan sales through a focused sales and cash collections approach that connects cash collections to development commitments.

Development

Dependence on contractors' and subcontractors' risk

Contractors are thoroughly screened before and during engagement.

Contractors' operations and their working practices are supervised and monitored regularly by senior management.

DAMAC ONLY WORKS WITH THE VERY BEST CONTRACTORS AND SUPPLIERS

Planning, general construction and development risks

Managers have vast experience and hold substantial knowledge of the Middle Eastern real estate market.

The Company also works with consultants who are experts in the Middle Eastern real estate market.

DAMAC continually tracks changes in the price of materials and the cost of labour.

The Company purchases applicable insurance policies for all of its assets.

Financial

Foreign exchange risk

The majority of the Company's revenues, costs and capital expenditure are either priced, incurred, payable or otherwise measured in (UAE Dirhams, US$).

Credit risk

The company's credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss.

DAMAC, where appropriate, has a means of mitigating the risk of financial loss from defaults.

Credit risk management comprises:

Collection of installment payments from purchasers; collection policy results in significant upfront payments (30-40% in the first six months) from customers resulting in minimizing risk of default.

Large and diversified customer base results in low concentration of credit risk.

Agreements with contractors enables us to retain 5-15% of the work done amount which is held for one year after the completion of a project until the default liability period has passed.

Title deeds on sold properties are only transferred when all payments are made.

Liquidity risk

Manages liquidity risk through the following:

Timely monetisation of land bank.

Contractual commitments are structured whereby exits are negotiated at comfortable/ manageable levels.

Continuous increase and diversification of debt and equity investor base.

Regular Management reviews of forecasting cash flow.

CORPORATE **GOVERNANCE**

BOARD OF DIRECTORS

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

Mr. Hussain Sajwani

Executive Chairman and Chief Executive Officer

Mr. Hussain Sajwani founded the DAMAC Group in 1992 in its predecessor form and has served as the DAMAC Group's Chairman since its establishment in its current form in 2002. Being one of the pioneers of the property market expansion in Dubai, Mr. Sajwani built and sold several hotels in the mid-1990's to UAE nationals to accommodate the growing influx of people to the UAE for the purposes of business and trade.

Having contributed to DAMAC's growth from its inception, in October 2011, under Mr Sajwani's initiative, the DAMAC Group launched its hospitality division which provides bespoke services to residents in more than 10,000 serviced apartments in DAMAC projects which are under development.

Mr. Sajwani received his Bachelor of Arts degree in Economics from the University of Washington in the United States.

Mr. Adil Taqi

Group Chief Finance Officer

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. Mr. Taqi 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.

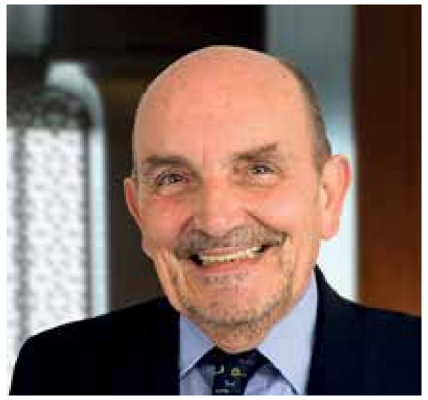
Mr. Ziad El Chaar

Managing Director

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, Mr. El Chaar 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.

Mr. El Chaar joined DAMAC in 2005 as Vice President of International Sales. Mr. El Chaar 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 the Managing Director of DAMAC.



Professor John Wright

Senior Independent Director

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 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 Glasgow University Business School.

Mr. Farooq Arjomand

Non-Executive Director

Mr. Arjomand received his Bachelor of Business Administration (B.B.A.) from Seattle Pacific University in the United States in 1984.

Mr. Arjomand 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, trades, 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. Ayalur Subbaraman

Non-Executive Director

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.

Mr. Subbaraman 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 35 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 Gasses.

CORPORATE GOVERNANCE REPORT

DAMAC Real Estate's corporate governance structure has been set by the Board of Directors. It is in line with the Company's commitment to maintaining high international standards of corporate governance best practice to protect the interests of all stakeholders and its belief that effective corporate governance is fundamental to the success of the business. The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

DAMAC'S BOARD OF DIRECTORS MEET REGULARY THROUGHOUT THE YEAR

During 2014 the following meetings took place:

- The Board– Seven meetings
- Audit Committee – Six meetings
- Remuneration Committee – Three meetings
- Nomination Committee – Two meetings

The interval between Board meetings was less than four months. All the Board and Board Committee meetings had majority attendance by member's participation in person.

The Board Meetings agendas included forward looking strategic issues with a balance of performance reporting review, approval of policies required for the Companies 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 judgments contained in them. Board discussions were supported by relevant and focused papers distributed well in advance of the meetings.

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

Board constitution and procedures

The Board comprises six members, of which three are non-executive Directors and three are executive Directors:

Senior Non-executive Director
Professor John Wright

Non-executive Directors
Mr. Farooq Arjomand
Mr. Ayalur Subbaraman

Executive Directors
Mr. Hussain Sajwani
Mr. Adil Taqi
Mr. Ziad El Chaar

Biographies of the Board members can be found on pages 52-53.

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

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

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls. This includes monitoring the integrity of the Company's financial statements, monitoring and reviewing the extent of the non-audit work undertaken by external auditors, advising on the appointment, re-appointment, removal, remuneration and terms of engagement of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems.

The Audit Committee also provides regular reports to the Board on how it has discharged its responsibilities and, separately, an individual section of the Annual Report describes the work of the Audit Committee. The Committee also reviews the content of the annual report and accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance.

The UK Corporate Governance Code recommends that the Audit Committee should comprise at least three members, all of which should be independent Non-Executive Directors. In addition, at least one member should have recent and relevant financial experience. The Company's Audit Committee is compliant with the recommendations of the UK Corporate Governance Code.

Audit Committee members:

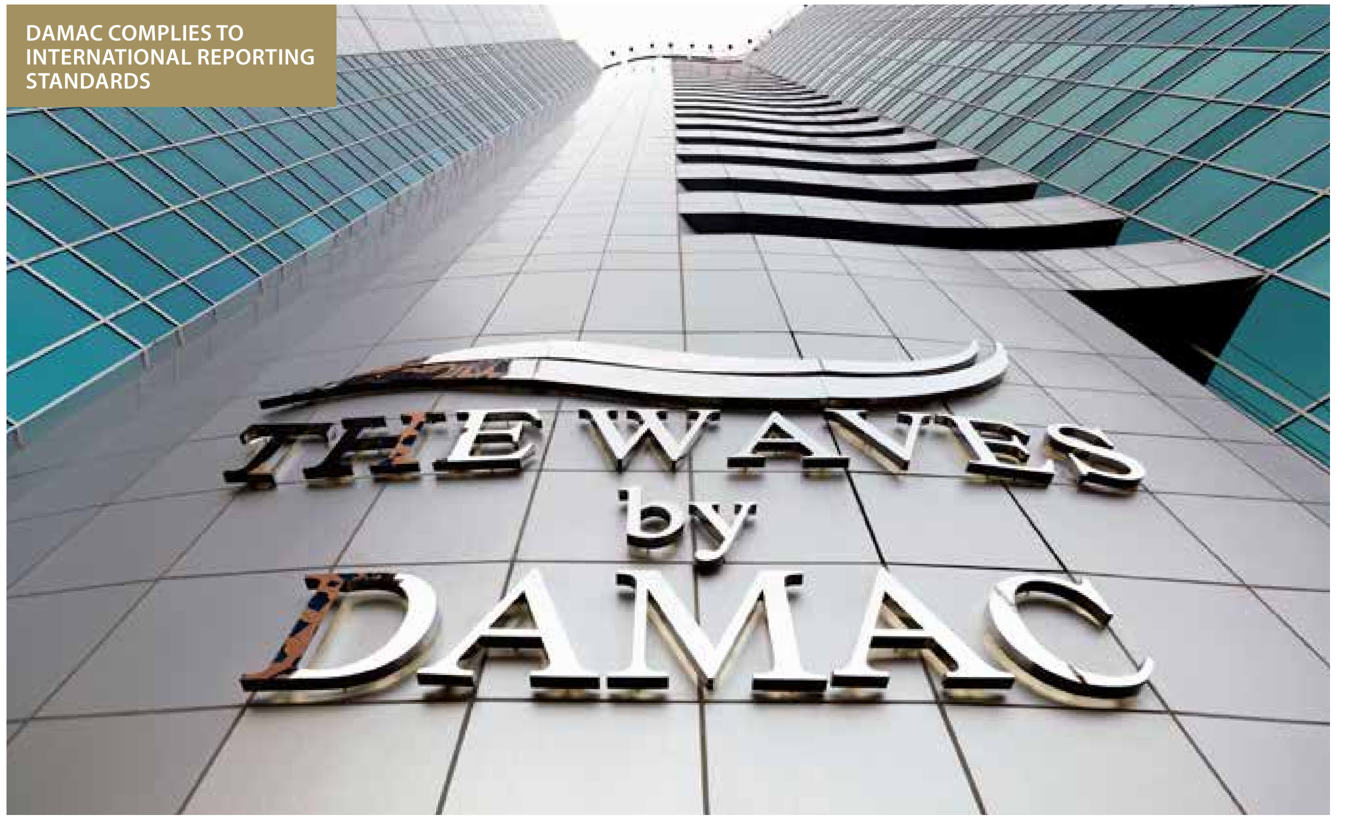
1. Professor John Wright
2. Mr. Farooq Arjomand
3. Mr. Ayalur Subbaraman

Professor John Wright, is an independent non-executive Director and is chair of the Audit Committee. He is considered by the Board to have recent and relevant financial experience.

The Audit Committee formally meets at least three times per year and otherwise as required. The Audit Committee will consider and make recommendations to the Board to be put to shareholders for approval at the Company's Annual General Meeting in relation to the appointment, re-appointment and removal of the external auditor. At least once every ten years, the Audit Committee shall ensure the audit services contract is put out to tender. The Audit Committee should satisfy itself that there are no relationships between the Company and the external auditor that could adversely affect the auditor's independence and objectivity.

The Group Chief Financial Officer and the external auditor will be invited to attend meetings on a regular basis and other non-members of the Audit Committee may be invited to attend as and when appropriate and necessary.

DAMAC COMPLIES TO INTERNATIONAL REPORTING STANDARDS



Nomination Committee
The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new Directors, appointment of Committee members and succession planning for senior management.

Nomination Committee members:
1. Professor John Wright
2. Mr. Farooq Arjomand
3. Mr. Ayalur Subbaraman

The chair of the Nomination Committee is Mr. Farooq Arjomand.


DUBAI INTERNATIONAL FINANCIAL CENTRE IS FAST BECOMING AN INTERNATIONALLY RECOGNISED CENTRE FOR INVESTMENT

The Nomination Committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and will make appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment.

New Directors receive a comprehensive, formal and tailored induction to the Group's operations and have the opportunity to meet major shareholders. Appropriate training is provided to new Directors and is also available to other Directors as required. The Group maintains Directors' and Officers' liability insurance.

The Company's Nomination Committee is compliant with the UK Corporate Governance Code, which provides that a majority of the members of the Nomination Committee should be independent non-executive Directors. The Company's Nomination Committee comprises three members, all of whom are independent non-executive Directors. The Nomination Committee shall meet twice a year and otherwise as required.

Remuneration Committee
The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration.

It has responsibility for setting the remuneration policy for each of the executive Directors and the Chairman, including pension rights and any compensation package. It also recommends and monitors the level of remuneration for senior management below Board level.

The Remuneration Committee is compliant with the UK Corporate Governance Code, which provides that the Remuneration Committee should comprise at least three members, all of whom are independent non-executive Directors.

Remuneration Committee members:
1. Professor John Wright
2. Mr. Ayalur Subbaraman
3. Mr. Farooq Arjomand

The chair of the Remuneration Committee is Mr. Ayalur Subbaraman.

The Remuneration Committee meets formally at least twice each year and otherwise as required. The Remuneration Committee considers all material elements of remuneration policy, remuneration and incentives of executive Directors and senior management with reference to independent remuneration research and professional advice, where necessary, in accordance with the UK Corporate Governance Code and associated guidance.

The Remuneration Committee is responsible for approving the design of, and determining targets for any performance-related pay schemes. In accordance with the Remuneration Committee's terms of reference, no Director may participate in discussions relating to his or her own terms and conditions of remuneration.

Non-executive Directors' fees will be determined by the full Board or, where required by the Company's articles of association (the 'Articles'), by the shareholders.

Risk management and internal controls
The Board has overall responsibility for the system of risk management and internal controls, which are designed to manage the risk of failure to achieve the Group's objectives where such a risk cannot be eliminated. The system provides a second line of defense, independent of those operations with specific responsibility for monitoring and reporting risk.

The Board verifies that the internal control systems within the Group are appropriate and adequately enforced and carries out an annual assessment of the effectiveness of internal controls for the period to the date of the annual report and financial statements. There is a programme for regular review and development, which is monitored by the various committees.

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 are responsible for ensuring that applicable accounting standards have been followed and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements for the year ended 31 December 2014.

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 and 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 1st February 2015.

Mr. Hussain Sajwani
Executive Chairman and Chief Executive Officer

Mr. Adil Taqi
Group Chief Finance Officer

CONSOLIDATED **FINANCIAL STATEMENTS**

DIRECTOR'S REPORT

For the year ended 31 December 2014

The Directors have the pleasure in submitting their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014. The net profit for the year is US$ 937 million (2013: US$ 642 million).

Principal activities

The principal activity of the Group is the development of properties, with continued focus in the current year on developing and delivering properties in Dubai.

The movement in retained earnings is as follows:

	US$ Million	US$ Million
Balance at 31 December 2013		534.0
Profit for the year		
Revenue	2,009.6	
Cost of sales	(833.5)	
Interest and other income	115.0	
Expenses	(354.1)	
Total profit for the year		937.0
Dividend paid		(162.0)
Balance at 31 December 2014		**1,309.0**

On behalf of the Board of Directors

Mr. Hussain Sajwani
Executive Chairman and Chief Executive Officer

INDEPENDENT AUDITORS REPORT

For the year ended 31 December 2014
DAMAC Real Estate Development Limited, DIFC
Dubai, United Arab Emirates

Audit Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of *DAMAC Real Estate Development Limited, DIFC* (the "Company") *and its subsidiaries* (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of 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 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 judgment, 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 Group'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 Group'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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of *DAMAC Real Estate Development Limited, DIFC* and its subsidiaries as at 31 December 2014, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

1 February 2015

Deloitte.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 US$ Million	2013 US$ Million
ASSETS			
Property and equipment	6	16.3	12.5
Development properties	7	2,327.5	1,932.7
Other financial assets	8	232.0	77.9
Trade and other receivables	9	742.6	409.5
Financial investments	10	5.0	30.7
Cash and bank balances	11	1,799.3	578.2
Total Assets		5,122.7	3,041.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	650.0	650.0
Statutory reserve	13	41.3	41.3
Group restructuring reserve	12	(566.7)	(566.7)
Investment revaluation reserve		-	0.5
Retained earnings		1,309.0	534.0
Total Shareholders' Equity		1,433.6	659.1
Liabilities			
Bank borrowings	14	75.3	85.3
Sukuk certificates	15	644.3	-
Due to a related party	16	11.0	1.2
Provision for employees' end of service indemnity	17	7.9	4.9
Trade and other payables	18	2,950.6	2,291.0
Total Liabilities		3,689.1	2,382.4
Total Shareholders' Equity and Liabilities		5,122.7	3,041.5

Mr. Hussain Sajwani
Executive Chairman and Chief Executive Officer

Mr. 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 2014

	Notes	2014 US$ Million	2013 US$ Million
Revenue	19	2,009.6	1,224.3
Cost of sales		(833.5)	(436.3)
Gross profit		1,176.1	788.0
Other operating income	20	47.8	69.4
General, administrative and selling expenses	21	(256.0)	(181.1)
Brokerage commission		(67.1)	(63.4)
Depreciation	6	(3.8)	(3.6)
Reversal of impairment on development properties	7	42.3	27.1
Operating profit		939.3	636.4
Other income	22	9.8	5.7
Finance income		15.1	4.3
Finance costs		(27.2)	(4.9)
Profit for the year		937.0	641.5
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)	0.5
Total comprehensive income for the year		936.5	642.0
Earnings per share			
Basic and diluted (US$)	28	1.44	0.99

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	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 2013	86.4	41.0	-	-	12.5	139.9
Total comprehensive income for the year	-	-	-	0.5	641.5	642.0
Group restructuring reserve (Note 12)	563.6	-	(566.7)	-	-	(3.1)
Transfer to statutory reserve (Note 13)	-	0.3	-	-	(0.3)	-
Dividend paid	-	-	-	-	(119.7)	(119.7)
Balance at 31 December 2013	**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	-	-	-	-	(162.0)	(162.0)
Balance at 31 December 2014	**650.0**	**41.3**	**(566.7)**	**-**	**1,309.0**	**1,433.6**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 US$ Million	2013 US$ Million
Cash flows from operating activities		
Profit for the year	**937.0**	641.5
Adjustments for:		
Depreciation of property and equipment (Note 6)	**3.8**	3.6
Provision for employees' end of service indemnity (Note 17)	**3.3**	2.0
Gain on disposal of financial investments	**(0.2)**	(0.3)
Loss on retirement of property and equipment	**0.7**	-
Amortisation of issue costs on Sukuk certificates (Note 15)	**0.6**	-
Finance costs	**27.2**	4.9
Finance income	**(15.1)**	(4.3)
Provision for impairment on trade receivables (Note 9)	**25.5**	24.0
Reversal of impairment on development properties (Note 7)	**(42.3)**	(27.1)
Operating cash flows before changes in operating assets and liabilities	**940.5**	644.3
Increase in trade and other receivables	**(358.8)**	(369.3)
Decrease in due from related parties	**-**	377.3
Increase/(decrease) in due to related parties	**9.8**	(310.0)
Increase in trade and other payables	**652.1**	460.0
Increase in development properties	**(356.5)**	(310.8)
Cash generated from operations	**887.1**	491.5
Finance costs paid	**(19.7)**	(4.9)
Interest received	**15.3**	3.8
Employees' end of service indemnity paid (Note 17)	**(0.3)**	(0.6)
Net cash generated from operating activities	**882.4**	489.8
Cash flows from investing activities		
Purchases of property and equipment (Note 6)	**(8.3)**	(4.9)
Increase in deposits with an original maturity of greater than three months (Note 11)	**(310.1)**	(19.1)
Proceeds from disposal of financial investments (Note 10)	**30.4**	11.6
Acquisition of financial investments	**(1.0)**	-
Increase in other financial assets	**(154.1)**	(5.7)
Net cash used in investing activities	**(443.1)**	(18.1)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014 (continued)

	2014	2013
	US$ Million	US$ Million
Cash flows from financing activities		
Bank borrowings during the year (Note 14)	**75.3**	97.9
Repayments of bank borrowing (Note 14)	**(85.3)**	(129.7)
Net proceeds from issuance of Sukuk certificates (Note 15)	**643.7**	-
Dividend paid	**(162.0)**	-
Net cash generated from/(used in) financing activities	**471.7**	(31.8)
Net increase in cash and cash equivalents	**911.0**	439.9
Cash and cash equivalents at the beginning of the year	**545.7**	105.8
Cash and cash equivalents at the end of the year (Note 11)	**1,456.7**	545.7

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. Establishment and operations

DAMAC Real Estate Development Limited, DIFC (the "Company" or the "Parent") 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, P.O. Box 2195, Dubai, United Arab Emirates.

The Company completed its Global Depository Receipts Listing on the London Stock Exchange on 3 December 2013.

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

The Parent is controlled by Mr. Hussain Ali Habib Sajwani (the "Chief Executive Officer") with 85.72% ownership interest held at DAMAC Properties Dubai Co. (PSC).

Subsequent event

The eligible holders of Global Depository Receipts (the "GDRs") representing ordinary shares of the Company were made an offer by DAMAC Properties Dubai Co. (PSC) to exchange their GDRs for ordinary shares of DAMAC Properties Dubai Co. (PSC) at a defined exchange rate. The offer closed on 9 January 2015 at which point 97.44% of the GDR holders accepted the offer. The shares issued to the GDR holders by DAMAC Properties Dubai Co. (PSC) were listed on the Dubai Financial Market on 12 January 2015. As at 12 January 2015, DAMAC Properties Dubai Co. (PSC) owns 99.63% of the Company.

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

2.1 New and revised IFRS 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 2014, 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.

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.
- Amendments to IAS 36 *Recoverable Amount Disclosures*

  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
- Amendments to *IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*

  The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
- Amendments to IFRS *10, IFRS 12 and IAS 27 - Guidance on Investment Entities*

  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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

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

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
• IFRS 7 Financial Instruments: 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 9 Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.	*1 January 2018*
• IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	
• Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	
• IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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

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

New and revised IFRS	Effective for annual periods beginning on or after
• IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	*1 January 2017*
• Annual Improvements to IFRS 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	*1 July 2016*
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	*1 January 2016*
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	*1 January 2016*
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	*1 January 2016*
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	*1 January 2016*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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

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

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	*1 January 2016*
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	*1 January 2016*
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	*1 January 2016*
• Annual Improvements to IFRS 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	*1 July 2014*
• Annual Improvements to IFRS 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	*1 July 2014*
• Amendments to IAS 19 Employee Benefits 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.	*1 July 2014*

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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.

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' meeting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

- When the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit and loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit and loss or retained earnings, as appropriate.

The financial statements of the subsidiaries owned through special purpose entities (intermediary parent companies) are prepared for the same reporting period as the company, using consistent accounting policies.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted at Group level.

All intra-Group balances, transactions, income and expenses and profits or losses resulting from intra-Group transactions 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 (2013: 72) companies (together the "Group").

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
DAMAC Crescent Properties Co LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Luxury Real Estate Properties Co LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Heritage Properties Co LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC General Trading LLC	United Arab Emirates	Holding company	100%	100%
DAMAC Ocean Heights Co. LLC	United Arab Emirates	Sales office	100%	100%
Frontline Investment Management Co. LLC	United Arab Emirates	Shell company	100%	100%
Al Aman Investment Management Co. LLC	United Arab Emirates	Holding company	100%	100%
DAMAC Enterprises & Management Co. LLC	United Arab Emirates	Trade marks	100%	100%
DAMAC Media And Marketing LLC	United Arab Emirates	Marketing and public relations	100%	100%
DAMAC Properties Development Co LLC	United Arab Emirates	Holding company	100%	100%
DAMAC Properties Co. LLC	United Arab Emirates	Holding company	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Marina Terrace Co. LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Gulf Properties LLC	United Arab Emirates	Real estate development	100%	100%
Lake Terrace Co. LLC	United Arab Emirates	Real estate development	100%	100%
Royal Crown Properties Co. LLC	United Arab Emirates	Holding company	100%	100%
DAMAC Star Properties LLC	United Arab Emirates	Real estate development	100%	100%
Island Oasis Properties LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Crescent Properties LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Development LLC	United Arab Emirates	Real estate development	100%	100%
Luxury Facilities Management Co. LLC	United Arab Emirates	Facilities management	100%	100%
DAMAC Tuscan Residence LLC	United Arab Emirates	Holding company	100%	100%
Abraj Al Rakhaa General Trading Limited	Iraq	Real estate development	100%	100%
Global Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
Middle East Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
DAMAC Fortune Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
DAMAC Lake View Company Limited	United Arab Emirates	Real estate development	100%	100%
DAMAC Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
DAMAC Park Towers Company Limited	United Arab Emirates	Real estate development	100%	100%
Excel Operations Company Limited	United Arab Emirates	Holding company	100%	100%
DAMAC Ocean Heights Company Limited	United Arab Emirates	Hotels management	100%	100%
DAMAC Crown Properties Company Limited	United Arab Emirates	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
DAMAC Properties International Limited	Mauritius	Holding company	100%	100%
DAMAC Enterprises Co. Limited	Mauritius	Trade marks	100%	100%
DAMAC Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
The Waves FZ LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Real Estate Developers FZ LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Properties FZ LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Real Estate Services Co LLC	United Arab Emirates	Holding company	100%	100%
Namaa Properties Development LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Homes LLC	United Arab Emirates	Group treasury operation	100%	100%
Kings Valley Investment Co LLC	United Arab Emirates	Shell company	100%	100%
DAMAC Properties Services Co. Shj LLC	United Arab Emirates	Sales office	49%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Real estate development	49%	100%
Quality Investment Co LLC	United Arab Emirates	Shell company	100%	100%
DAMAC Properties Qatar W.L.L.	Qatar	Holding company	100%	100%
Ocean Pearl Real Estate Company LLC	United Arab Emirates	Real estate development	100%	100%
Bright Gulf Investments Limited	BVI	Shell company	100%	100%
Luxury Owner Association Management Services	United Arab Emirates	Facilities management	100%	100%
Majara Investments Limited	BVI	Investment company	100%	100%
Ali Habib Kukar's Real Estate Office	Saudi Arabia	Sales office	100%	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%
Maksab Holding Limited	BVI	Holding company	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	Real estate development	100%	100%
Elegance Marketing Co LLC	United Arab Emirates	Marketing and public relations	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
DAMAC Hotels & Resorts Management LLC	United Arab Emirates	Hotels management	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Prosperity Trading WOFE	China	Trading company	100%	100%
Blue Eagle Investment Co LLC	United Arab Emirates	Trust arrangement	100%	100%
DAMAC TR Holding Co Ltd	United Arab Emirates	Holding company	100%	100%
DAMAC FC Holding Co Ltd	United Arab Emirates	Holding company	100%	100%
Business Tower Investment LLC**	United Arab Emirates	Real estate development	100%	100%
Priority Holding Limited *	Cayman Island	Holding company	100%	100%
Alpha Star Holding Limited *	Cayman Island	Holding company	0%	100%
DAMAC Ocean Heights Company Limited *	Maldives	Holding company	100%	100%
DAMAC Business Village LLC *	United Arab Emirates	Investment company	100%	100%
DAMAC Private Real Estate Management LLC *	United Arab Emirates	Sales office	100%	100%
DAMAC World Real Estate LLC *	United Arab Emirates	Sales office	100%	100%
Alpha Star Holding II Limited *	Cayman Island	Trust arrangement	0%	100%

** These are newly incorporated entities that became part of the Group during the year ended 31 December 2014.*

*** The entity acquired was the legal owner of a land plot.*

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 transferred its ownership interest in the following subsidiaries to the Chief Executive Officer for a consideration equivalent to the book value of these subsidiaries.

Entity	Country of incorporation	Principal activities	Book value on date of transfer
Sadaf Investment Limited	BVI	Holding company	US$ 1,000
Daman Holding Limited	BVI	Shell company	US$ 1,000
Accredited Holding Limited	BVI	Shell company	US$ 1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

During the year the Group liquidated its following subsidiary:

Entity	Country of incorporation	Principal activities
Star Luxury LLC	Russia	Sales office

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition 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. Acquistion-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 liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS *12 Income Taxes and IAS 19 Employee Benefits respectively;*
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 S*hare-based Payment 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 of 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 at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at the fair value or, when applicable, on the basis specified in another IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, is measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated 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 consolidated statement of comprehensive income, 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. The provisional amounts are adjusted during the measurement period, 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.

Business combinations involving entities under common control

On 3 December 2013, the Company became the legal holding company of DAMAC Properties Development Co. LLC, DAMAC General Trading LLC, Kings Valley Investment Co. LLC, DAMAC Tuscan Residences LLC and DAMAC Properties International Limited, Mauritius, together with their underlying subsidiaries (together the "Combined Group"). This transaction fell outside the scope of IFRS 3 Business Combinations, therefore the pooling of interests method was applied and the consolidated financial statements of the Group for the year ended 31 December 2013 were presented as a continuation of the "Combined Group". The following accounting treatment was applied:

a) the assets and liabilities of the "Combined Group" were recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value; and
b) the retained earnings and other equity balances of the "Combined Group" immediately before the business combination, and the results for the period from 1 January 2013 to the date of the business combination are those of the "Combined Group" as the Company did not trade prior to the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The major component of the Group's revenue has been from the sale of land plots from the Group's development properties.

The Group recognises revenue when it is probable that the economic benefits from the sale will flow to the Group, the revenue and costs can be measured reliably and the risks and rewards of ownership of the unit have been transferred to the buyer. At the point of revenue recognition the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units/land plots sold.

Sales of property

This represents the revenue recognised for the sale of individual units from the Group's development properties. The Group determines the point of recognition to be when the risks and rewards of ownership have been transferred to the buyer. This is the point at which handover of units to the buyer has occurred.

Sale of land

Revenue from sale of land is recognised when the significant risks and rewards of ownership of the land have passed to the buyer. This is considered to be the point at which the buyer has right of access, construction, assignment and sale.

Contracts for provision of construction services

Where the outcome of a contract for the provision of construction services can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of such a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Repossession of units

In some instances, particularly when the buyer has missed payment obligations on outstanding amounts due, after units have been handed over, the Group exercises its right to recover units as per the terms of the contracts in place with the customer. The unit repossessed is recognised in development properties at the cost incurred in enacting the repossession.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

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.

Cost of sales

Cost of sales includes the cost of land and development costs. Development costs include the cost of infrastructure and construction.

The cost of development properties recognised in the consolidated statement of comprehensive income on sale is determined with reference to the specific cost incurred on the property sold through allocation based on the relative area of the property sold.

3.6 Development properties

Properties acquired, or being developed with the intention of 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.

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.

3.7 Provisions

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

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

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

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

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 increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.9 Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of 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.

3.11 Leases

For the years ended 31 December 2013 and 31 December 2014, the Group did not have any finance leases and all leases have been classified as operating leases.

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

The individual financial statements of each Group entity are prepared in local currency, being the currency of the primary economic environment in which these entities operates (the functional currency).

At each reporting date, monetary items denominated in foreign currencies are re translated at the closing rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are re translated 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 re translated.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

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.

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 24.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

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 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 2014 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group de recognises 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.

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, accruals and other payables. These are subsequently measured at amortised cost applying the effective interest method.

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 de recognised and the consideration paid and payable is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

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, 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.

3.17 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year. The Group has not issued any instrument which would have any impact on the earnings per share when exercised. Based on this, the diluted earnings per share will be the same as the earning per share.

3.18 Cash and cash equivalents

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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

Critical accounting judgments in applying accounting policies

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

Litigation

The Group is subject to litigation in the normal course of its business. Based on judgment 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.

Revenue recognition: determining the point of handover

As defined in the Group's revenue recognition policy (Note 3), the Group recognises revenue at the point of handover. Management makes an on-going assessment of the minimum level of cash collection required for units/land plots to be handed over to buyers. This assessment considers market conditions prevalent at the time and the likely recoverability of any receivable balances to be recognised for these units/land plots.

Cost of sales

As defined in the Group's cost of sales recognition policy (Note 3), the Group recognises cost of development properties in the consolidated statement of comprehensive income with reference to the specific cost incurred on the property sold through allocation based on the relative area of the property sold. Management makes an on-going assessment of the appropriate basis for cost of sales recognition.

Impairment of development properties

The Group's management 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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

Critical accounting judgments in applying accounting policies (continued)

Impairment of development properties (continued)

The Global Financial Crisis significantly impacted the real estate markets within which the Group operates, decreasing property values and reducing volumes of transactions, as a consequence of which provisions were deemed necessary to be made against the carrying value of development properties at certain points, based on management's judgement and using the limited external data that was available at each point in time. As these markets have begun to recover, the value of provisions required has been reassessed by management, having regard to the nature of the Group's land interest, the related development plans and the strength of the particular market recovery at the reporting date. The timing and amount of any provision recognition or release requires the exercise of significant judgement.

At 31 December 2014, the Group's management 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 and calculation of the required impairment as at 31 December 2014.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

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

Key sources of estimation uncertainty (continued)

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.

As a response to improvements in prevailing market conditions, during 2014, management reassessed the credit risk attributable to sale of land plots, resulting in higher minimum threshold for recognition of provision for impairment on trade receivables from sale of land plots.

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. Segmental 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".

	2014 US$ Million	**2013 US$ Million**
Revenue		
Domestic	**1,799.2**	1,224.3
International	**210.4**	-
Total revenue	**2,009.6**	1,224.3
Development properties		
Domestic	**1,795.4**	1,358.1
International	**532.1**	574.6
Total development properties	**2,327.5**	1,932.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (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 2013	13.7	14.2	0.5	28.4
Additions	4.2	0.4	0.3	4.9
At 31 December 2013	17.9	14.6	0.8	33.3
Additions	2.3	5.5	0.5	8.3
Write off	(1.3)	-	-	(1.3)
At 31 December 2014	**18.9**	**20.1**	**1.3**	**40.3**
Accumulated depreciation				
At 1 January 2013	7.8	9.1	0.3	17.2
Charge for the year	3.1	0.4	0.1	3.6
At 31 December 2013	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 31 December 2014	**12.0**	**11.5**	**0.5**	**24.0**
Net book value				
At 31 December 2014	**6.9**	**8.6**	**0.8**	**16.3**
At 31 December 2013	7.0	5.1	0.4	12.5

7. Development properties

	2014 US$ Million	2013 US$ Million
Balance at the beginning of the year	**1,932.7**	1,565.4
Additions	**1,189.5**	745.6
Transfers to cost of sales	**(833.0)**	(434.8)
Transfers (to)/from a related party (Note 16)	**(4.0)**	29.4
Impairment reversal	**42.3**	27.1
Balance at the end of the year	**2,327.5**	1,932.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

7. Development properties (continued)

Impairment of development properties

At 31 December 2014, the Group's management 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, management 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$ 42.3 million during the year (2013: US$ 27.1 million), reflecting an upturn in macroeconomic conditions and a resulting improvement in current 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:

	2014 US$ Million	2013 US$ Million
Land held for future development	**140.1**	83.8
Properties under development	**1,876.1**	1,650.4
Completed properties	**311.3**	198.5
	2,327.5	1,932.7

Total borrowing costs capitalised during the year are US$ Nil (2013: US$ 2.2 million).

8. Other financial assets

	2014 US$ Million	2013 US$ Million
Escrow retention accounts	**228.5**	72.8
Margin deposits	**2.8**	4.9
Other	**0.7**	0.2
	232.0	77.9

In accordance with applicable laws, the Group holds funds under escrow in Real Estate Regularity 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 2014, 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 2014 (continued)

9. Trade and other receivables

	2014 US$ Million	2013 US$ Million
Trade receivables	**613.4**	329.8
Less: Provision for impairment on trade receivables	**(55.3)**	(29.8)
	558.1	300.0
Advances and deposits	**171.3**	104.4
Prepayments and other receivables	**13.2**	5.1
	742.6	409.5

Trade receivables represent amounts due from customers at the point of handover. The outstanding balance represents the total amount which is yet to be collected at the reporting date. Customers are allowed 30 days from each invoice date to settle outstanding dues.

Movement in the provision for impairment on trade receivables:

	2014 US$ Million	2013 US$ Million
Balance at beginning of the year	**29.8**	5.8
Net provision for the year (Note 21)	**25.5**	24.0
Balance at end of the year	**55.3**	29.8

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.

As a response to improvements in prevailing market conditions, during 2014, management reassessed the credit risk attributable to sale of land plots, resulting in higher minimum threshold for recognition of provision for impairment on trade receivables from sale of land plots. This has an impact on the level of provisions associated with receivables on account of sale of land plots.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

9. Trade and other receivables

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

	Total	Neither past due nor impaired	1 - 60 days	61 - 180 days	181 - 270 days	> 270 days
	US$ Million	US$ Million	US$ Million	US$ Million	US$ Million	US$ Million
31 December 2014	**558.1**	**490.7**	**27.0**	**35.7**	**4.7**	**-**
31 December 2013	300.0	288.0	9.0	3.0	-	-

Ageing of impaired trade receivables is as follows:

	2014	2013
	US$ Million	US$ Million
1 - 60 days	2.0	1.4
61 - 180 days	11.9	0.6
181 - 270 days	18.2	27.8
Above 270 days	23.2	-
	55.3	29.8

10. Financial investments

	2014	2013
	US$ Million	US$ Million
Available-for-sale financial investments	**5.0**	30.7

During the year, financial investments with a book value of US$ 30.7 million were disposed for a consideration of US$ 30.4 million. The resulting loss on disposal of US$ 0.3 million was recorded in the consolidated statement of comprehensive income. The related investment revaluation reserve of US$ 0.5 million was recycled through the consolidated statement of comprehensive income.

During the year, the Group invested US$ 5.0 million in DAMAC International Limited, a newly incorporated related entity with a total share capital of US$ 50.0 million. The Group's 10% interest was settled through a cash payment of US$ 1.0 million and transfer of land with a carrying value of US$ 4.0 million. At the point of transfer, the Group considered the fair value of the land transferred to approximate to the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

11. Cash and bank balances

	2014	2013
	US$ Million	US$ Million
Cash on hand	**0.2**	5.7
Cash held in escrow	**1,412.3**	497.7
Bank balances	**8.9**	42.3
Fixed deposits	**377.9**	32.5
Cash and bank balances	**1,799.3**	578.2
Less: Fixed deposits with an original maturity of greater than three months	**(342.6)**	(32.5)
Cash and cash equivalents	**1,456.7**	545.7

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

12. Share capital

	2014	2013
	US$ Million	US$ Million
Authorised, issued and fully paid share capital	**650.0**	650.0

Group restructuring reserve

On 3 December 2013, the Company completed its GDR listing on London Stock Exchange and issued an additional 649,950,000 shares at a par value of US$ 1 each. The group restructuring reserve arises on consolidation under the pooling of interests method used for the group restructuring which took place on 3 December 2013.

13. Statutory reserve

In accordance with the Commercial Companies Laws in the respective countries of operation, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

14. Bank borrowings

	2014 US$ Million	2013 US$ Million
Bank loans	**40.0**	71.4
Overdrafts	**35.3**	13.9
	75.3	85.3

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 bank loans include the following:

Name of the borrowing entity	Security	2014 US$ Million	2013 US$ Million
DAMAC Real Estate Development Limited	Unsecured	**40.0**	-
DAMAC Properties Development Co. LLC	Secured	**-**	30.0
DAMAC Properties SAL Holding	Secured	**-**	25.3
Majara Investments Limited	Secured	**-**	16.1
		40.0	71.4

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

	2014 US$ Million	2013 US$ Million
On demand or within one year	**55.3**	59.6
In the second year	**20.0**	23.5
In the third to fifth year inclusive	**-**	2.2
	75.3	85.3
Less: Amount due for settlement within 12 months	**(55.3)**	(59.6)
Amount due for settlement after 12 months	**20.0**	25.7

During the year, the Group has entered into an unsecured term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum and is repayable by 2016. Details for the weighted average interest rate payable on the Group's loan facilities are included in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

15. Sukuk certificates

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 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 "Certificate holders") 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 Certificate holders pro rata according to the face amount of Certificates held by each Certificate holder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

The Certificates carry interest at 4.97% per annum and are secured by assigned trust assets.

	2014 US$ Million	2013 US$ Million
Proceeds from the issue of Sukuk Certificates	**650.0**	-
Gross issue costs	**(6.3)**	-
Less: Amortised up to year end	**0.6**	-
Unamortised issue costs	**(5.7)**	-
Carrying amount	**644.3**	-

16. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 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. Pricing policies and terms of all transactions are approved by the management.

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

	2014 US$ Million	2013 US$ Million
Due to related parties		
Balances due to an entity under the Chief Executive Officer's control	**11.0**	1.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

16. Related party transactions (continued)

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

	2014 US$ Million	2013 US$ Million
Entities under the Chief Executive Officer's control		
Transfers of development properties (Note 7) (i)	**(4.0)**	29.4
Construction works executed (ii)	**(30.4)**	-
Purchase of land plot (iii)	**(32.0)**	-
Sale of land plot (iii)	**31.7**	-

(i) Transfer of development properties

During the year, the Group acquired 10% interest in DAMAC International Limited, an unlisted related entity which was partly settled through transfer of a land plot for US$ 4.0 million.

(ii) Construction works executed

During the year, the Group utilised construction services worth US$ 30.4 million from Draieh Contracting LLC, an entity under the control of Chief Executive Officer.

(iii) Purchase and sale of land plot

During the year, the Group purchased a land plot for US$ 32.0 million from, and sold a land plot for US$ 31.7 million to entities owned by the Chief Executive Officer. Both transactions were settled at fairÅ value, as determined and approved by the Board of Directors.

Remuneration of Directors and key-management personnel

The remuneration of the directors, who are 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.

	2014 US$ Million	2013 US$ Million
Short term employee benefits	**2.4**	2.7
Termination benefits - EOSB	**0.1**	0.1
	2.5	2.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

17. Provision for employees' end of service indemnity

	2014 US$ Million	2013 US$ Million
Balance at the beginning of the year	**4.9**	3.5
Charge for the year	**3.3**	2.0
Payments during the year	**(0.3)**	(0.6)
Balance at the end of the year	**7.9**	4.9

Provision for employees' end of service indemnity is made in accordance with the labour laws and is based on current remuneration and cumulative service at the reporting date.

18 .Trade and other payables

	2014 US$ Million	2013 US$ Million
Advances from customers	**1,985.1**	1,715.3
Accruals	**166.7**	101.6
Other payables	**216.0**	142.3
Retentions payable	**113.4**	99.3
Deferred consideration for land payments	**469.4**	232.5
	2,950.6	2,291.0

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 5% to 15% of work done.

19. Revenue

	2014 US$ Million	2013 US$ Million
Constructed units	**1,136.1**	799.2
Sale of land	**873.5**	425.1
	2,009.6	1,224.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

20. Other operating income

	2014 US$ Million	2013 US$ Million
Penalties from overdue customers	**7.0**	4.4
Income from cancellation of units	**40.5**	64.9
Unit registration and transfer fees	**0.3**	0.1
	47.8	69.4

21. General, administrative and selling expenses

	2014 US$ Million	2013 US$ Million
Staff costs	**114.7**	72.4
Advertising and sales promotion	**57.1**	46.1
Legal and professional	**14.1**	12.4
Rent and license fees	**16.8**	6.8
Repairs and maintenance	**9.7**	4.9
Bank charges	**6.0**	2.6
Travel and conveyance	**2.5**	2.4
Communication	**2.5**	1.7
Provision for impairment on trade receivables (Note 9)	**25.5**	24.0
Other	**7.1**	7.8
	256.0	181.1

22. Other income

	2014 US$ Million	2013 US$ Million
Property Management fees	**4.5**	2.0
Gain on disposal of financial investments	**0.6**	0.3
Other	**4.7**	3.4
	9.8	5.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

23. Contingent liabilities

	2014 US$ Million	2013 US$ Million
Bank guarantees	**239.8**	79.8

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 2014.

24. 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

	2014 US$ Million	2013 US$ Million
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,589.7**	956.6
Financial investments	**5.0**	30.7
	2,594.7	987.3
Financial liabilities		
At amortised cost	**1,226.8**	435.3

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

24. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

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

The fair 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 following table provides an analysis of financial instruments that 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).

	Level 1	Level 2	Level 3	Total
	US$ Million	US$ Million	US$ Million	US$ Million
31 December 2014	**-**	**-**	**5.0**	**5.0**
31 December 2013	30.7	-	-	30.7

25. 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 above continues to be consistent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

25. 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 2014 would decrease/increase by US$ 2.6 million (31 December 2013: decrease/increase by US$ 0.5 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 to 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 2014 (continued)

25. 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	1 - 2 years	3 - 5 years	Total
	%	US$ Million	US$ Million	US$ Million	US$ Million
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**
31 December 2013					
Non-interest bearing	-	350.0	-	-	350.0
Fixed interest rate instruments	-	-	-	-	-
Variable interest rate instruments	5.32	59.6	23.5	2.2	85.3
		409.6	23.5	2.2	435.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

25. 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	1 - 2 years	3 - 5 years	Total
	%	US$ Million	US$ Million	US$ Million	US$ Million
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**
31 December 2013					
Non-interest bearing		876.9	-	-	876.9
Variable interest rate instruments	2.41	110.4	-	-	110.4
		987.3	-	-	987.3

26. 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 14 and Note 15, 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.

27. Commitments

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

	2014	2013
	US$ Million	US$ Million
- Contracted for	**1,651.8**	846.5
- Committed but not contracted for	**4,582.6**	2,728.2
	6,234.4	3,574.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (continued)

28. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2014	2013
Profit for the year (US$ million)	**937.0**	641.5
Number of ordinary shares (million)	**650.0**	650.0
Earnings per ordinary share - basic and diluted (US$)	**1.44**	0.99

There were no instruments or any other items which could cause an anti-dilutive effect on the earnings per share calculation.

29. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2014 were approved by the Board and authorised for issue on 1 February 2015

ADDITIONAL INFORMATION

REGISTERED OFFICE
Office 206A
Park Towers, Level 2
DIFC Street
P.O. Box 2195
Dubai
United Arab Emirates

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