

# User guide

INTERACTIVE PDF

Welcome to the DAMAC Annual report and accounts 2013.

This interactive pdf allows you to easily access the information that you want, whether printing, searching for a specific item or going directly to another page, section or website.

The different features are explained below.



- Next view
- Previous view
- Next page
- Previous page
- Contents
- Print
- Search

## Section navigation

Use the links on the Contents page to navigate to the start of a statement. Use the Contents button to return to the contents.



## Links

Throughout this report there are links to pages, other sections and web addresses for additional information.

Live the  
*Luxury*

## OVERVIEW

- 02 Who we are
- 04 Performance highlights
- 06 Executive Chairman and CEO's statement
- 08 Group Chief Financial Officer's review

## STRATEGIC REVIEW

- 12 Our business strategy
- 14 Our business model
- 16 Our marketplace

## BUSINESS REVIEW

- 20 A portfolio of distinction
- 22 Portfolio focus and overview of key projects
- 30 Our performance over the year
- 36 Sustainability
- 39 Risk management

## CORPORATE GOVERNANCE

- 42 Board of Directors
- 44 Corporate Governance report
- 47 Statement of Directors' responsibilities

## FINANCIAL STATEMENTS AND OTHER INFORMATION

- 50 Directors' report
- 51 Independent auditors' report
- 52 Consolidated statement of financial position
- 53 Consolidated statement of comprehensive income
- 54 Consolidated statement of changes in shareholders' equity
- 55 Consolidated statement of cash flows
- 56 Notes to the consolidated financial statements
- 81 Additional information

# A desire to *Deliver*

A desire to deliver is at the heart of DAMAC's culture, mission and values – from the selection of the Company's development partners, such as architects, designers, and contractors – to the handover of keys. The following section is an overview of who we are and our performance highlights over the past year.

# Who we are

DAMAC Real Estate Development Limited (“DAMAC”) – Delivering a life of luxury. For over a decade, the real estate portfolio of DAMAC has been at the forefront of the Middle East’s luxury real estate market. With an enduring passion for design and quality.

Iconic developments in stunning locations in major cities in the Middle East, has helped DAMAC build a reputation for creating luxurious and desirable properties.

from the selection of development partners such as architects, designers and contractors, all the way to the handover of keys.

and villas and the Trump Organization for the development and operations of the Trump International Golf Course, Dubai and the Trump Estates within the AKOYA by DAMAC development.

Established in 2002, DAMAC has delivered 9,318 units to date and currently has a development portfolio of over 25,000 units at various stages of progress and planning delivering DAMAC’s vision of luxury living with high-quality residential, hospitality, leisure and commercial developments. At the heart of the Group’s culture lies the desire to deliver this vision for its customers, with the Company’s c.1,400 employees managing the entire process –

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 DAMAC continues to innovate and bring new concepts to the market, the Company is determined to build on its powerful performance to date. With vision and momentum, DAMAC is building the next generation of Middle East luxury living.

Always at the forefront of visionary concepts, DAMAC has relationships with Paramount Hotels & Resorts, the official licensee of Paramount Pictures, Italian fashion houses Versace Home and FENDI Casa for branded residential apartments

The Company issued Global Depositary Receipts (GDRs) which are listed on the London Stock Exchange. Citibank N.A. acts as the depository for the GDRs.



Marina Terrace

Year completed: 2006  
 Total built up area (Sq Ft): 575,000  
 Total saleable area (Sq Ft): 308,000  
 Total project value (US\$ Mn): 66

- ❖ 24-hour concierge and helpdesk facility
- ❖ Luxury swimming pool
- ❖ Children’s play room
- ❖ Residents’ lounge
- ❖ Luxurious spa with sauna and steam room
- ❖ State-of-the-art gymnasium
- ❖ Barbecue area
- ❖ Retail at basement level



The Waves

Year completed: 2006  
 Total built up area (Sq Ft): 698,000  
 Total saleable area (Sq Ft): 377,000  
 Total project value (US\$ Mn): 76

- ❖ 24-hour concierge and helpdesk facility
- ❖ Luxury swimming pool
- ❖ Children’s play room
- ❖ Residents’ lounge
- ❖ Luxurious spa with sauna and steam room
- ❖ State-of-the-art gymnasium
- ❖ Barbecue area
- ❖ Tennis court



Executive Heights

Year completed: 2008  
 Total built up area (Sq Ft): 796,431  
 Total saleable area (Sq Ft): 369,454  
 Total project value (US\$ Mn): 153

- ❖ Restaurant and café
- ❖ Swimming pool
- ❖ State-of-the-art health club
- ❖ Jogging track
- ❖ Supermarket



Lake Terrace

Year completed: 2008  
 Total built up area (Sq Ft): 760,051  
 Total saleable area (Sq Ft): 413,511  
 Total project value (US\$ Mn): 82

- ❖ Swimming pool
- ❖ Coffee bar, restaurants and juice bar
- ❖ State-of-the-art gymnasium
- ❖ Concierge desk with 24-hour service
- ❖ Underground parking facilities



Lake View

Year completed: 2009  
 Total built up area (Sq Ft): 789,284  
 Total saleable area (Sq Ft): 430,880  
 Total project value (US\$ Mn): 101

- ❖ Swimming pool
- ❖ Coffee bar, restaurants and juice bar
- ❖ State-of-the-art gymnasium
- ❖ Concierge desk with 24-hour service
- ❖ Underground parking facilities



Smart Heights

Year completed: 2011  
 Total built up area (Sq Ft): 668,142  
 Total saleable area (Sq Ft): 326,732  
 Total project value (US\$ Mn): 112

- ❖ Swimming pool
- ❖ Coffee bar, restaurants and juice bar
- ❖ State-of-the-art gymnasium
- ❖ Concierge desk with 24-hour service
- ❖ Underground parking facilities



Park Towers

Year completed: 2012  
 Total built up area (Sq Ft): 1,746,480  
 Total saleable area (Sq Ft): 998,397  
 Total project value (US\$ Mn): 499

- ❖ Advanced temperature-controlled swimming pool
- ❖ State-of-the-art gymnasium
- ❖ Spacious steam and sauna rooms
- ❖ Jacuzzi
- ❖ Tennis court
- ❖ Barbecue area
- ❖ Exquisitely designed lobby with a concierge desk offering 24-hour service
- ❖ Banquet hall
- ❖ Meeting room facilities are designed for private parties, gatherings and special occasions and business meetings



DAMAC Maison, The Summit

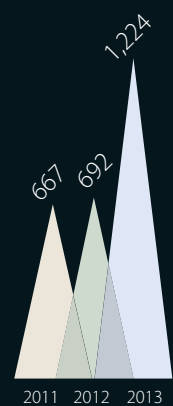
Year completed: 2013  
 Total built up area (Sq Ft): 702,631  
 Total saleable area (Sq Ft): 387,102  
 Total project value (US\$ Mn): 245

- ❖ Serviced Hotel apartments
- ❖ Maison Cafe
- ❖ Chrysalis Spa
- ❖ Grand lobby
- ❖ Speciality shops
- ❖ Coffee lounge on the ground floor
- ❖ Sauna
- ❖ Swimming pool
- ❖ State-of-the-art gymnasium

# Performance Highlights

2013 has been a record financial year; after a successful listing on the London Stock Exchange, revenues were up by 77% to US\$1.2 billion, while net profit increased by 202% to US\$641.5 million.

Revenue (US\$ million)



+77% increase

Gross profit (US\$ million)



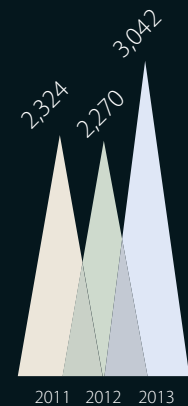
+180% increase

Net profit (US\$ million)



+202% increase

Total assets (US\$ million)



+34% increase

## Year-on-year financial highlights

- ❖ 77% increase in revenues to US\$1,224.3 million (2012: US\$692.0 million)
- ❖ 180% increase in gross profit to US\$788.0 million (2012: US\$281.4 million)
- ❖ 199% increase in operating profit to US\$636.4 million (2012: US\$212.6 million)
- ❖ 21.3 percentage point increase in operating margin to 52.0% (2012: 30.7%)
- ❖ 202% growth in profit for the year to US\$641.5 million (2012: US\$212.5 million)
- ❖ Cash and cash equivalents at 31 December 2013 of US\$545.7 million (31 December 2012: US\$105.8 million)
- ❖ Net cash position at 31 December 2013 stood at US\$492.9 million (2012: US\$14.8 million)
- ❖ Net cash generated from operating activities grew to US\$484.1 million (2012: US\$26.6 million)
- ❖ 34% increase in total assets to US\$3,041.5 million (2012: US\$2,270.3 million)
- ❖ Basic and diluted earnings per share of US\$0.99 in 2013

## 2013 Corporate highlights

- ❖ February: DAMAC announced its association with Italian luxury fashion house FENDI, with the launch of DAMAC Esclusiva in Riyadh and DAMAC Residenza in Dubai
- ❖ March: In collaboration with Paramount Hotels & Resorts, DAMAC launched "DAMAC Towers by Paramount", a US\$1.25 billion five-star hotel and branded serviced hotel residence in Dubai, and the first Paramount-branded hotel in the Middle East
- ❖ April: DAMAC announced the launch of AKOYA by DAMAC, a 28 million square feet luxury lifestyle villa and apartment community in Dubai including an 18-hole championship golf course in collaboration with the Trump Organization
- ❖ July: "DAMAC Villas by Paramount" becomes the first luxury serviced villas launched in Dubai
- ❖ September: DAMAC launches Paramount Hotels & Resorts-branded serviced residences tower in Riyadh, Kingdom of Saudi Arabia
- ❖ October: DAMAC announces a range of luxury products at the Cityscape Global 2013 Real Estate Show in Dubai including:
  - ❖ The Trump Estates at AKOYA by DAMAC
  - ❖ FENDI-styled villas at AKOYA by DAMAC
  - ❖ Golf Veduta, serviced hotels and apartments overlooking the Trump International Golf Course, Dubai
- ❖ October: Following the successful launch of AKOYA by DAMAC, DAMAC acquired a further 14 million square feet of adjacent land, increasing the total development to almost 42 million square feet (gross) in October 2013
- ❖ December: DAMAC completed the first real estate Initial Public Offering ("IPO") from the Gulf Cooperation Council ("GCC") and is the first Middle East developer to list on the London Stock Exchange. 650 million shares in the form of Global Depositary Receipts were listed at a price of US\$12.25 per GDR, with one GDR representing three shares, implying an opening market capitalisation of US\$2.65 billion.

# Executive Chairman and CEO's statement

2013 was a milestone year for the Company that culminated in DAMAC becoming the first Dubai-based real estate developer to list on the London Stock Exchange following a successful initial public offering ("IPO") in December 2013.

## Another year of delivery

Having achieved this landmark in the Company's history, we have recorded financial results that underline a strategy of focusing on the luxury property market in Dubai, and on prime locations elsewhere in the Middle East region.

During 2013, revenue increased by 76.9% to US\$1.2 billion (2012: US\$692.0 million), driven primarily by the completion and delivery of 2,123 units (2012: 1,869) against the backdrop of a rising market and the ability to leverage the DAMAC brand to achieve increasingly higher sales prices.

Our focus on cost management and our market-driven business strategy, which gives control of every component of the development cycle, has ensured strong gross profit margin, at 64.4% (2012: 40.7%), operating profit margin at 52.0% (2012: 30.7%) and net profit margin at 52.4% (2012: 30.7%). This resulted in a 180% increase in gross profit, 199.3% increase in operating profit and a 201.9% increase in net profit to US\$788.0 million, US\$636.4 million and US\$641.5 million respectively.

General, administrative and selling expenses increased by 306.1% to US\$181.1 million (2012: US\$44.6 million). This was primarily due to increases in payroll costs and advertising and marketing expenditure corresponding to an increase in development activity. In summary, these increases reflect the investment in marketing activities and the growth in the size of DAMAC's operations in order to have capacity for 2014.

## Operational highlights

In 2013, DAMAC launched ten new projects including two milestone projects – AKOYA by DAMAC and DAMAC Towers by Paramount.

Total sales booked reached US\$2.5 billion, an increase of 272% over the past year.

AKOYA by DAMAC is DAMAC's first master development. It is spread over 42 million square feet. Residential units comprise branded and

serviced villas, serviced and traditional apartments, as well as retail space, all surrounding a Trump International Golf Course and Club. Customer response to the product has been strong and continues to be encouraging, further cementing confidence in the popularity and strong economic viability of this project, having initially acquired the land in 2012.

In March 2013, DAMAC launched a collaboration with Paramount Hotel & Resorts with DAMAC Towers by Paramount. DAMAC now has three projects under way with Paramount Hotels & Resorts, building on a market-leading position in the luxury branded real estate market that has seen the Company partner with other brands including FENDI Casa, following its pioneering project with Versace Home in Beirut in 2010.

In mid-2013, DAMAC handed over the first tower operated by DAMAC Maison, the Company's own hospitality operator. In response to changing customer demand, customers of "DAMAC Maison, The Summit on Dubai Mall Street" (building name "The Signature"), the 355 unit, 50-storey, US\$245 million development, were the first to be offered the luxury hotel-type services by DAMAC Maison.

From almost a standing start at the beginning of the year, DAMAC Maison's services are now being offered to customers in respect of 16 of the Company's current pipeline projects.

DAMAC continues to seek attractive opportunities to maintain a three- to four-year land bank, a level that the Company believes is optimal for this point in the cycle and is in line with the development strategy.

During 2013, DAMAC acquired land for US\$176.0 million, adding further potential for more than 2,000 new units to the total pipeline (in progress and in planning), which at the year end stood at more than 25,000 units, with a total estimated project value of more than US\$13.0 billion.

## Geographical focus on growth markets

Dubai remains very much the core market for DAMAC, with over 80% of revenues originating from the Emirate. Dubai has a favourable geographical location – approximately one third of the world's population lives within a four-hour flight of Dubai – and its principal airport was the second busiest in the world based on the number of international passengers in 2013.

Dubai is widely considered to be a safe haven market within the region: a politically stable, rapidly growing city that is home to over two million people and growing at a rate of 5.0% per year.

Its extensive hotel and shopping venues, warm climate and beaches makes Dubai a favoured tourism destination for visitors from around the Middle East and beyond. Year on year, tourism increased 9.3% in 2012 to over 10 million and 10.6% in 2013 to over 11 million. These numbers represent registered visitors in hotels, serviced apartments, cruises, etc. The total number of visitors from internal and external destinations who did not register in any type of accommodation is much higher and is continuing to grow according to the Dubai Department of Tourism.

On the back of these strong fundamentals, the real estate market, which is now well regulated, has recovered strongly from the 2008 financial crisis, with prime residential sales prices increasing by 15.0% in the fourth quarter, compared with 2012, with expectations of a 15.0% rise in 2014. Average rental yields for Dubai property in 2013 reached 6.6% compared with 4.3% in New York and 2.1% in London<sup>1</sup>.

Outside Dubai, the Company has expanded into large and growing markets with scalable potential including Saudi Arabia and Qatar.

## Enlarging our shareholder base

Following months of hard work by the DAMAC team and its advisers, DAMAC made its debut on the London Stock Exchange on 3 December 2013, following its successful IPO – the first of its kind for a real estate developer from the Gulf region in London. Following meetings with institutional investors across the Middle East, London, and the United States, the GDRs priced at US\$12.25, implying an opening market capitalisation of US\$2.6 billion. The GDRs have performed well since the IPO, rising by almost 30% at the end of February 2014. This was a transformative event for DAMAC and on behalf of the Board I would like to welcome our new shareholders to the DAMAC story and to thank all of our own team and our advisers for their hard work in making it a success.

## Strengthening the Board

Before the IPO, the Company's management had been focused on ensuring the business had the appropriate levels of governance for an international developer of DAMAC's scale. The Company has brought on board Non-Executive Directors and a Senior Independent Director and set up the relevant Board Committees. I would like to warmly welcome Professor John Wright, Mr. Farooq Arjomand and Mr. Ayalur Subbaraman to our Board of Directors.

## Dividend

Our dividend policy will balance our growth requirements with superior total shareholder returns. For the foreseeable future, this is envisaged to be 30% to 50% of distributable income to be paid biannually.

## Our customers

Every company exists because of its customers and I would like to say thank you to ours. We will strive to go beyond expectations and continue to deliver.

## Outlook

Looking ahead, we expect Dubai's strong economic fundamentals, regional safe-haven status and improving business sentiment, assisted by the policies put in place by both His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Vice President of the United Arab Emirates and Ruler of Dubai, and the Dubai Government, coupled with the growing number of visitors to the Emirate, to contribute to ongoing and sustainable growth.

We work hard so that DAMAC has a clear, sustainable long-term plan that will ensure we are well positioned to benefit from the growth in Dubai and elsewhere in the region. We remain confident this will be the case.

I would like to thank all of our stakeholders for their continued loyalty and commitment to DAMAC. In particular, on behalf of the entire Board, I would like to extend a special thank you to all of the Company's employees. Their contribution to ensuring DAMAC continues to deliver a superior product to all of its customers while providing value to all of our shareholders is greatly appreciated.



Hussain Sajwani  
Executive Chairman and Chief Executive Officer



Hussain Sajwani, Executive Chairman and CEO  
For full biography go to page 42



The view from Ocean Heights overlooking the Palm Jumeirah

## Group Chief Financial Officer's review

Revenues were up by 77% to US\$1.2 billion, while net profit increased 202% to US\$641.5 million.



The Distinction, a 153-storey, iconic tower overlooking the heart of Dubai

### Group summary

2013 was a pivotal year for DAMAC: we successfully completed an initial public offering on the London Stock Exchange, launched a number of high profile projects, and continued our focus on delivering a high-quality luxury product.

Revenue for the Group increased by 76.9% to US\$1.2 billion (2012: US\$692.0 million) primarily from completions of 2,123 units (2012: 1,869).

Therefore we reported a significant growth in operating profit of 199.3% to US\$636.4 million (2012: US\$212.6 million), driven by our prudent cost management and our ability to leverage our brand to achieve increasingly higher sales prices. This focus on value resulted in an industry-leading gross profit margin, which increased to 64.4% (2012: 40.7%).

### Other operating income

Other operating income increased by US\$63.9 million from US\$5.5 million for the full year 2012 to US\$69.4 million for the full year 2013, primarily due to an increase in income from cancellation of units.

### Other income

Other income increased by US\$2.8 million, or 96.6%, from US\$2.9 million for the full year 2012 to US\$5.7 million for the full year 2013, due to an increase in fee income from facility management operation.

### Finance income

Finance income increased by US\$1.8 million, or 72.0%, from US\$2.5 million for the full year 2012 to US\$4.3 million for the full year 2013. This increase was primarily due to significant increase in off plan sales resulting in higher bank balances in escrow account.

### Finance costs

Finance costs decreased by US\$0.6 million, or 10.9%, to US\$4.9 million (2012: US\$5.5 million).

### Brokerage commissions

Brokerage commissions increased by 334.2% to US\$63.4 million (2012: US\$14.6 million). This increase was primarily due to the growth in booked sales.

### Depreciation

Depreciation increased US\$0.1 million, or 2.9%, to US\$3.6 million (2012: US\$3.5 million). This increase was a result of the purchase of depreciable assets in the comparative period.

### Impairment on development properties

At 31 December 2013, 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 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.

DAMAC at the London Stock Exchange following their successful IPO



This review resulted in an impairment reversal of US\$27.1 million during the year (2012 provision: US\$11.6 million), reflecting an upturn in macroeconomic conditions and a resulting improvement in current and expected future sales prices.

Following these impairment reversals, US\$161.4 million (2012: US\$144.1 million) are valued at fair value, less costs to sell, rather than at historical cost.

### Balance sheet and cash flow

Our balance sheet remains strong, with development properties comprising US\$1,932.7 million (2012: US\$1,565.4 million), or 63.5% of our total assets (2012: 69.0%).

The Company maintained a low leveraged position with a net cash balance of US\$492.9 million as at 31 December 2013, comprising cash and bank balances of US\$578.2 million (2012: US\$119.2 million), and bank borrowing of US\$85.3 million (2012: US\$104.4 million).

Operating cash flow increased to US\$484.1 million, from US\$26.6 million in 2012, underlining the highly cash flow generative nature of the business model, the number of new products launched and the improving business sentiment.

We continue to seek attractive opportunities in the Dubai and Middle East land market, with the aim of maintaining a three- to four-year land bank, a level that we believe is optimal for this point in the cycle and is in line with our development strategy.

### Initial public offering and earnings per share

Our initial public offering of ordinary shares in the form of GDRs was highly successful. The offering of over 30 million GDRs raised US\$379.1 million, including the partial exercise of the over-allotment option. The GDRs began trading on the London Stock Exchange on 3 December 2013.

Up to the end of February 2014, the GDRs had appreciated by almost 30%.

### Group restructuring

In November 2013, and as detailed in note 2 on page 56, DAMAC completed a reorganisation whereby ownership of the Group was consolidated. This resulted in the share capital of the Company increasing to US\$650 million, reflecting the issued share capital of the Company.

Mr. Adil Taqi  
Group Chief Financial Officer

**+199%**  
*Growth*

Operating profit grew significantly, driven by prudent cost management – Higher gross margins



Developing a great

# *Opportunity*

Developing and identifying great opportunities is key to DAMAC's strategy of "Buy", "Design", "Sell" and "Build". To ensure that each property is of the highest quality, DAMAC actively seeks and purchases prime locations to design and build iconic developments. The following section details a strategic review of the business.

## Our business strategy

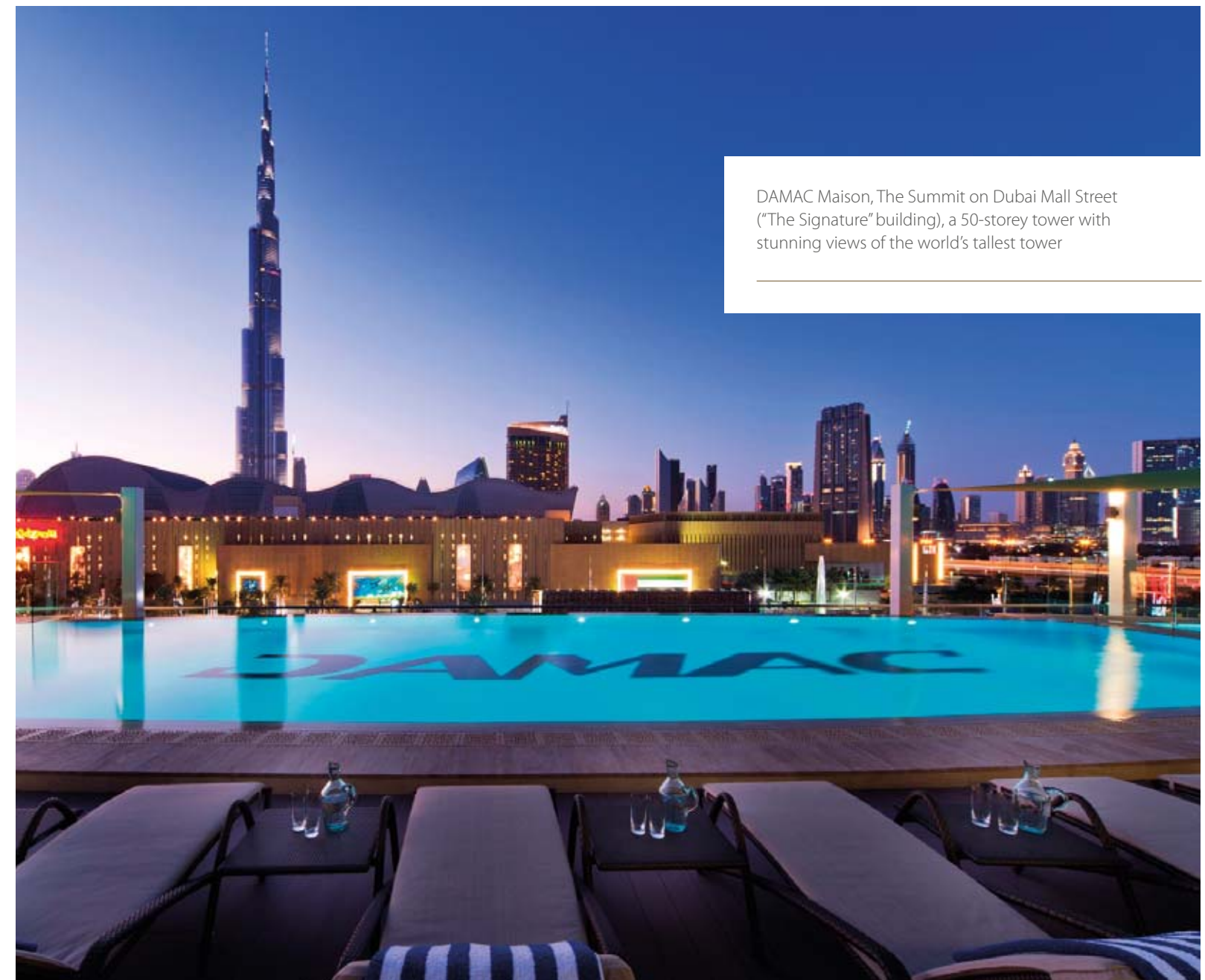
DAMAC's objective is to continually define and develop the latest in luxury living, delivering the highest quality of architecture, interior design, construction and lifestyle to customers in some of the most exclusive locations in the Middle East.

The Company has developed a dynamic, focused and capital efficient model and combines this with a sophisticated marketing strategy and luxury brand, to generate sales at a premium to the market and create maximum value for investors.

In order to achieve this, DAMAC adopts a business strategy centred on six key principles:

- ❖ Consolidate DAMAC's leading position
- ❖ Strengthen and grow DAMAC's product range
- ❖ Consolidate and expand the Company's extensive international customer base
- ❖ Maintain a level of brand and product integrity which continues to demand a premium price
- ❖ Focus on efficient project delivery
- ❖ Maintain an efficient capital structure to deliver shareholder value

The view from Ocean Heights overlooking the marina



DAMAC Maison, The Summit on Dubai Mall Street ("The Signature" building), a 50-storey tower with stunning views of the world's tallest tower

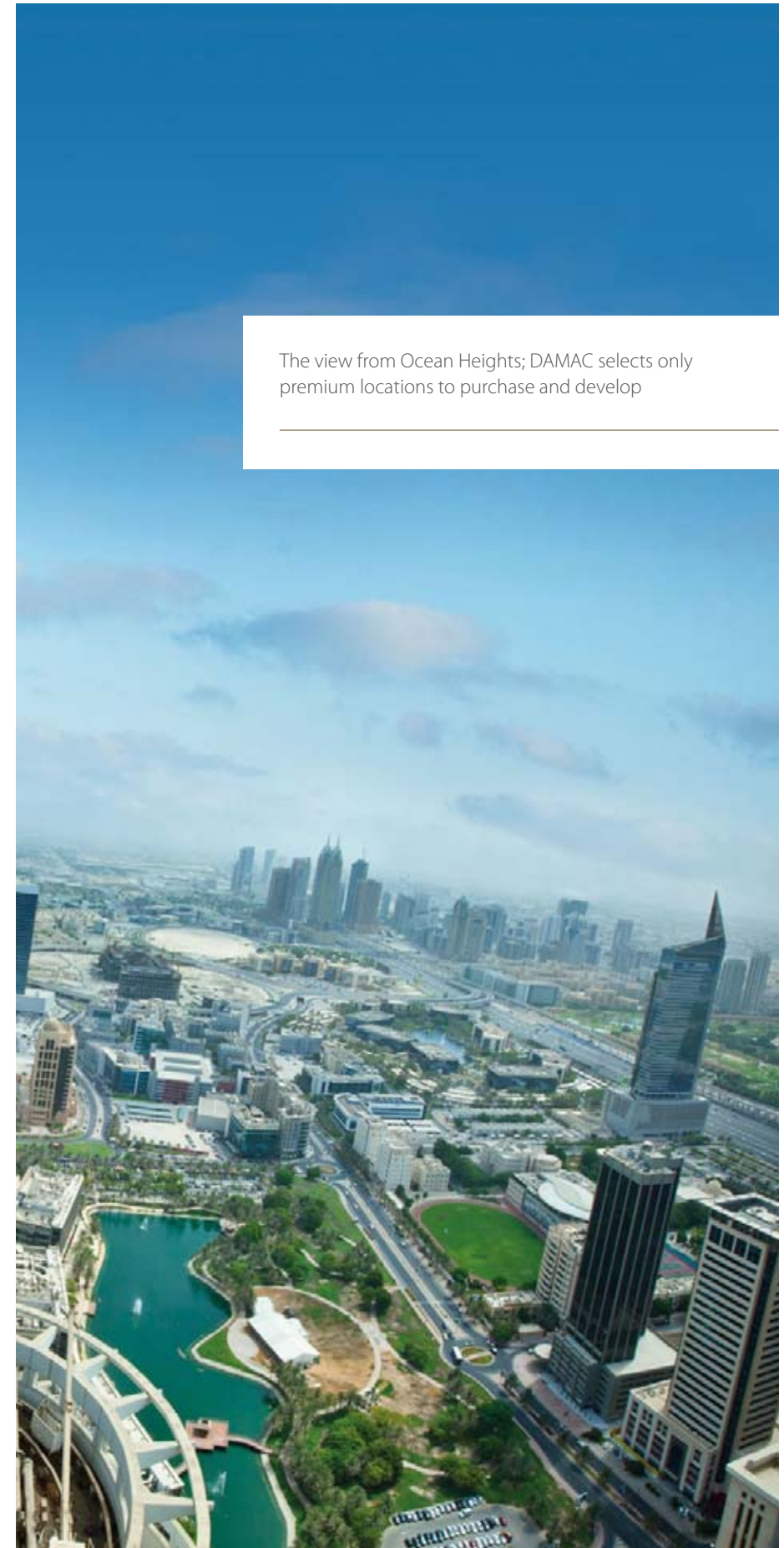
# Our business model

DAMAC has developed a phased strategy of “Buy”, “Design”, “Sell” and “Build”, supported by dedicated customer care, to allow it 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.



40+ Awards

DAMAC has been recognised with more than 40 International Property Awards



# Our marketplace

DAMAC has built its reputation as a pioneer in the development of high-end property since it began developing its first residential development in Dubai in 2002.

**The Company's market environment: leader in the premium property market**

DAMAC's award-winning developments have been recognised with more than 40 international property awards over the past decade and includes some of the most iconic buildings in Dubai's luxury property sector. The DAMAC brand is one of the most widely recognised in both Dubai and the wider Middle East.

While DAMAC operates primarily in the residential segment of the luxury property sector, it has also developed a number of commercial and mixed-use developments and has expanded its offering to include luxury hotel serviced apartments, co-branded apartments, branded and co-branded hotel rooms, golf/lifestyle communities, its own hospitality operating company, DAMAC Maison, and a facilities management business.

DAMAC's focus on premium developments has naturally evolved to include unique offerings to its customers through co-branded villas and apartments, with globally recognisable luxury brands such as FENDI Casa, Versace Home, Paramount Hotels & Resorts and the Trump Organization. Most recently, in 2013, the Company announced the AKOYA by DAMAC luxury lifestyle community development, which centres on a Trump International Golf Course and Clubhouse.

DAMAC's focus on luxury, and its reputation as a high-quality developer that consistently exceeds expectations, enables the Company to achieve premium prices in the luxury property market. The strength of the DAMAC brand, and the quality of the product, ensures higher sales volumes and strong customer demand, enabling DAMAC to deliver value for shareholders.

**Geographical focus on growth markets**  
Dubai remains very much the core market for DAMAC, with over 80% of its revenues originating from the Emirate. Dubai has a favourable geographical location – approximately one third of the world's population lives within a four-hour flight of Dubai – and its principal airport was the second busiest in the world based on the number of international passengers in 2013. Dubai is a safe haven market within the region; a politically stable, rapidly growing city, that is home to over two million people and growing at a rate of 5.0% per year.

Its extensive hotel and shopping venues, warm climate and beaches make it a favoured tourism destination for visitors from around the Middle East and beyond; tourism was up by 10.6% in 2013 according to the Dubai Department of Tourism. Dubai's GDP grew by 4.9% in the first half of 2013 and is forecast to grow between 4.5 and 5% in 2014, according to the UAE Economy Minister.

On the back of these strong fundamentals, the real estate market, which is now well regulated, has recovered strongly from the 2008 financial crisis, with prime residential sales prices increasing by 15.0% in the fourth quarter compared with 2012 with expectations of 15.0% in 2014. Average rental yields for Dubai property in 2013 reached 6.6% compared with 4.3% in New York and 2.1% in London.

Outside of Dubai, DAMAC has expanded into large and growing markets with scalable potential including Saudi Arabia and Qatar.

*1/3*

One third of the world's population lives within a four-hour flight of Dubai

Completed and in progress portfolio in Dubai

- |                                                                              |                               |                           |
|------------------------------------------------------------------------------|-------------------------------|---------------------------|
| 1. Suburbia                                                                  | 23. The Vogue                 | 33. Lakeside              |
| 2. Lake View                                                                 | 24. Water's Edge              | 34. The Cosmopolitan      |
| 3. Lake Terrace                                                              | 25. DAMAC Towers by Paramount | 35. Bay's Edge            |
| 4. The Waves                                                                 | 26. Capital Bay               | 36. Jumeirah Golf Estate  |
| 5. Marina Terrace                                                            | 27. DAMAC Heights             | 37. Burjside Boulevard II |
| 6. Ocean Heights                                                             | 28. Executive Bay             | 38. Prive by DAMAC        |
| 7. Executive Heights                                                         | 29. The Distinction           | 39. The Constella         |
| 8. Smart Heights                                                             | 30. Lincoln Park              | 40. The Vantage           |
| 9. XL Tower                                                                  | 31. AKOYA by DAMAC            | 41. Paramount Hotel       |
| 10. Business Tower                                                           | 32. Tenora                    | 42. Green Park B          |
| 11. Park Towers                                                              |                               | 43. Celestia              |
| 12. DAMAC Maison, The Summit on Dubai Mall Street ("The Signature" building) |                               |                           |
| 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. Upper Crest                                                              |                               |                           |



# Living in *Luxury*

Making customers' dreams of luxury living a reality – DAMAC works with the very best designers and brand names to ensure quality in every detail. This section reviews our portfolio and performance.

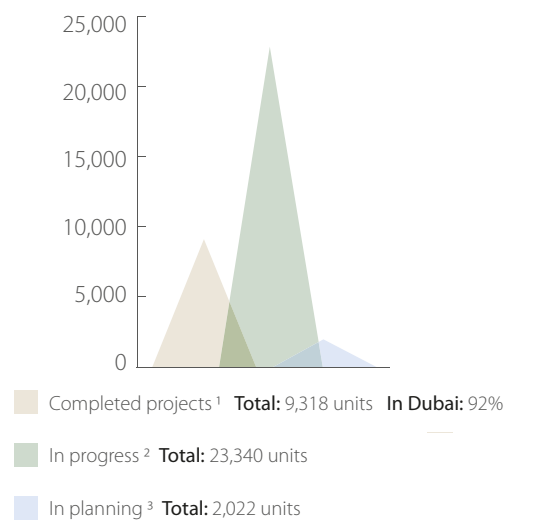
FENDI Casa living area  
at Dubai Residence in  
Dubai Marina

Artist's impression

# A portfolio of distinction

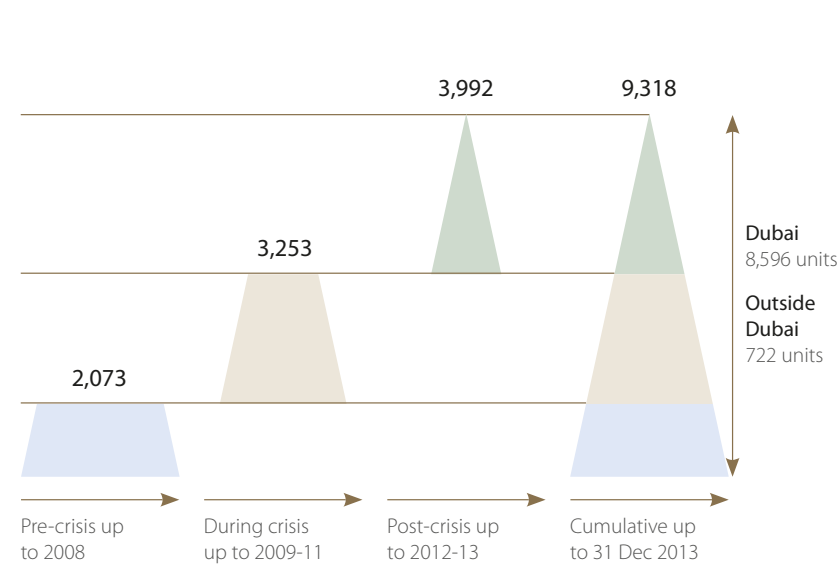
The Company has a proven track record of delivery through all market cycles, having delivered 9,318 units across 9.4 million square feet since launching the first residential development in 2002.

Portfolio overview (Units)



(1) Completed projects: projects with Building Completion (BCC) received (2) In-progress projects: projects with enabling works started/consultant appointed (3) In-planning projects: projects with no consultant appointed

Strong delivery track record across economic cycle

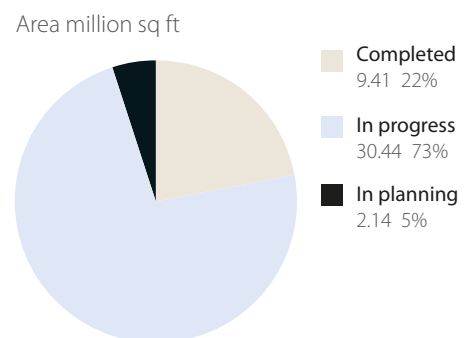


Portfolio of projects in progress

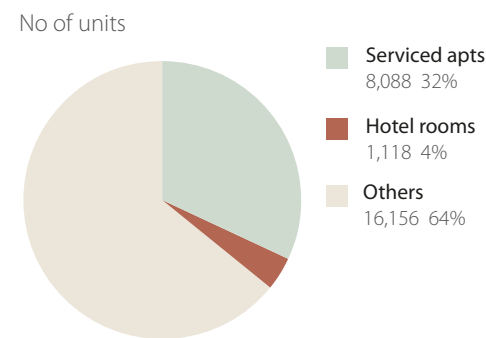
	UAE	Saudi	Qatar	Others
Saleable area (million sq ft)	27.2	1.0	0.8	1.4
Estimated completion date	2014/17	2014/16	2014/16	2014/16



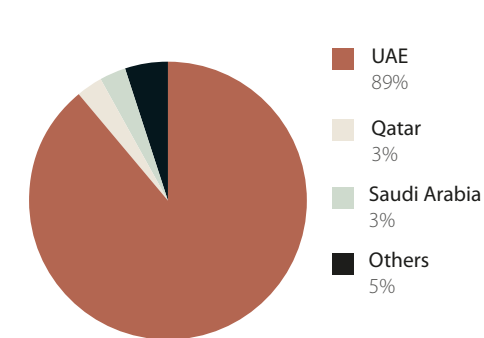
Portfolio by development status



Portfolio by product (in progress and in planning projects)



Portfolio by saleable area (in progress projects)



## Portfolio focus and overview of key projects



### DAMAC Maison, The Summit on Dubai Mall Street ("The Signature" building)

DAMAC Maison, The Summit on Dubai Mall Street ("The Signature" building) was DAMAC's first development containing luxury serviced branded hotel apartments and is located adjacent to the Dubai Mall. This 50-storey high-rise development provides customers with contemporary luxury one-, two-, or three-bedroom apartments, which are fully furnished. These serviced branded hotel apartments are managed and serviced by DAMAC Maison to the standards of an international five-star hotel.

The development comprises 355 units with a total saleable area of 387,102 square feet. "DAMAC Maison, The Summit on Dubai Mall Street" has a project value of US\$245 million and was completed in mid-2013.



### Al Jawharah

Al Jawharah is a luxury residential project under construction in Jeddah, Saudi Arabia. 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 a gym, swimming pool and spa, squash court, games room and on-site parking.

Al Jawharah is designed to contain 300 units with a total saleable area of 525,825 square feet. Al Jawharah has a project value of US\$251 million. As of 31 December 2013, DAMAC had sales in place for approximately 75.7% of the project's total saleable area.

Best High-Rise Architecture Award, 2011. *Bloomberg Property Awards*  
 Outstanding Development of the Year, 2012. *Big Project Awards*  
 Best Residential High-Rise Development, 2012. *International Property Awards*



Artist's impression



**DAMAC Tower with interiors by Versace Home**

Situated in the downtown Solidere area of Beirut, Lebanon, 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 a total saleable area of 344,082 square feet and has a project value of US\$261 million and is scheduled to complete in 2015.

In 2010, DAMAC Tower with interiors by Versace Home received what was widely considered to be one of the most prestigious awards in the real estate industry.

Best High-Rise Architecture in the World Award.  
*International Property Awards 2010*

**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 the on-premises gym, 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.

Best Interior Design Apartment for KSA, 2013. *Arabian Property Awards*

**FENDI  
CASA**



Artist's impression





**DAMAC Heights/DAMAC Residence**  
 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 one-, two-, and three-bedroom apartments in Dubai.

The top floors of DAMAC Heights have been allocated to DAMAC Residence, 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 643 units with a total built-up area ("BUA") of 1,471,352 square feet and saleable area of 893,506 square feet. DAMAC Heights has a project value of US\$657 million and is scheduled to complete in 2016.

**FENDI  
 CASA**

Artist's impression



Artist's impression

**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 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 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, on-site parking and numerous high-end dining establishments. DAMAC Towers by Paramount is designed with an aggregate of 1,961 units (including the hotel) with a total saleable area of 1,974,777 square feet. DAMAC Towers by Paramount has a project value of US\$1,250 million and is scheduled to complete in 2016. As at 31 December 2013, DAMAC has sales in place for approximately 44.2% of the project's total saleable area.



Artist's impression

Best Residential High-Rise Development, 2013-14.  
*Arabian Property Awards*

Highly Commended Development Marketing, 2013-14.  
*Arabian Property Awards*

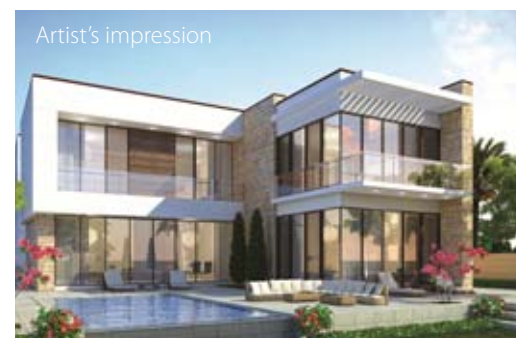
**AKOYA by DAMAC**

AKOYA by DAMAC will be a luxury lifestyle villa and apartment community development located within 30 minutes' drive to the centre of Dubai, off Umm Suqeim Expressway. This will be a 42 million square feet 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 "New International Golf Development" in the world at the International Property Awards in London in December 2013.

DAMAC is working with a number of global brands on developments for AKOYA by DAMAC with Paramount Hotels & Resorts, FENDI and the Trump Organization, each having its 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.



**AKOYA by DAMAC**

Luxury lifestyle community development close to Dubai. The villas and apartments are built in and around the Trump International Golf Club. Also included in the complex are a range of supermarkets, restaurants, shops and entertainment outlets

DAMAC believes that 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:

- ❖ an 18-hole championship-standard golf course together with a driving range, a 12-hole golf academy and a Trump International Golf Club, designed by Gil Hanse in collaboration with the Trump Organization;
- ❖ 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 operated by the Trump Organization;
- ❖ a luxury boutique hotel to be operated by the Trump Organization;
- ❖ international schools from pre-school to secondary school; and
- ❖ a range of restaurants, supermarkets and other shopping and entertainment outlets that provide 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 the luxury hotel and retail areas. The golf club will be operated by the Trump Organization on a 25-year, renewable operations agreement.

AKOYA by DAMAC is designed to contain a total saleable area of 16.8 million square feet and is scheduled to complete in multiple stages. As at 31 December 2013, DAMAC has already sold 1,437 units within the AKOYA by DAMAC project.

Artist's impression



Low-Rise condominiums at AKOYA by DAMAC



The architect's impression of the complete complex shows, among other things, the fantastic open green space reserved for the residents of the community

Best Golf Development for Arabia and Best Golf Development for Dubai, 2013. *Arabian Property Awards*

Best New Golf Development in the world. *International Property Awards*

**FENDI STYLED VILLAS**

Interior Design by **FENDI**  
CASA



**THE TRUMP ESTATES**

DUBAI

**AKOYA**  
*Park*

# Our performance over the year

Real estate market growth, experienced in 2013, took place against a backdrop of continued and sustainable recovery and expansion in Dubai.

### Dubai continues its rise

GDP growth reached 4.7% in 2013, up from 4.4% in 2012<sup>3</sup>, and the International Monetary Fund raised its 2014 economic growth forecast for the United Arab Emirates to 4.5%. Growth in 2013 was driven by a strong performance from the retail, transportation, tourism and real estate sectors. The Emirate continues to evolve into its role as an important global financial, commercial and tourism hub. Sentiment is strong and as more people and businesses move into Dubai, we expect tourism numbers will increase, trade flows in the region will increase, and as the broader global economy improves, the business community continues to benefit.

All of this has had a positive impact on real estate demand and prices.

At year-end, prices and rents in residential property in Dubai had grown for 27 consecutive months and, in the fourth quarter, prices for premium villas and apartments had seen a 15% increase from the previous year<sup>4</sup>. However, there was a deceleration in the pace of price growth in the final quarter of the year, reflecting a number of “cooling” measures that the Dubai Government introduced. These measures included a rise from 2% to 4% in the property transfer fee and new mortgage caps for nationals and expatriates.

It is also worth noting that prime residential prices are still almost a third below their previous peak in 2008 and supply of new apartments expected over the next 12 to 18 months does not match anticipated demand. We believe that DAMAC and Dubai are well placed for the long term with a sustainable increase in prices.

In November, after years of hard work for all those involved, Dubai celebrated as it was selected to host the World Expo 2020, an event that attracts millions of visitors. Recent market reports suggest that this event will be the catalyst for over US\$40.0 billion of government and private sector investment, further contributing to the Dubai success story. Estimates suggest Dubai will need to double its hospitality capacity to more than 150,000 rooms by 2020. Against a backdrop of an already strong real estate market, this represents a further exciting opportunity for DAMAC’s development and hospitality businesses.

While development in Dubai remains, and is expected to remain the focus, DAMAC continues to leverage its core skills in order to expand into the large, growing and scalable markets offered by the key cities elsewhere in the region. In line with this, DAMAC is currently developing buildings in Middle Eastern cities including Abu Dhabi, Riyadh, Jeddah, Beirut, Doha and Amman.

### Operational achievements

DAMAC has implemented a host of operational improvements throughout 2013 to streamline and strengthen its market-leading position.

### Technology

New CRM and IT operating systems have been brought in across the Company to improve communications to current and prospective clients. Oracle Business Intelligence has been rolled-out across all respective departments, and the management of the client sales process is now optimal. DAMAC has also doubled the staff in its Customer Relationship Management (CRM) Team in line with sales growth.

### Marketing

DAMAC has also looked to capitalise on the use of face-to-face marketing tools, including an increased stand presence in the most active malls in Dubai. This presents the opportunity to meet directly with potential customers and answer questions immediately relating to their real estate needs.

DAMAC has also increased the number of roadshows in the respective countries of its core client database to increase face-to-face contact at the prospect source, and in the departure gates of the airport lounges heading to Dubai. This has been supported by database marketing, which has driven a strong number of the current leads coming to the Company, and a dedicated leads team in each of DAMAC’s international offices to support the influx of enquiries, at source and in the prospective client’s preferred language.

To further strengthen communication with international and prospective clients, DAMAC has formally launched a number of social media channels, allowing real-time communication with current and prospective clients. The DAMAC Properties Facebook page has close to 200,000 fans. DAMAC Properties also has active presence on Twitter and YouTube and communicates across all channels in both English and Arabic.

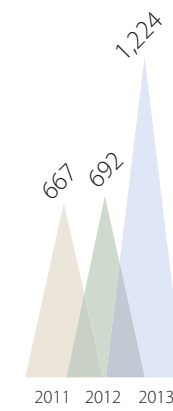
### Training

As an increased number of new staff members have joined the DAMAC family, the Company’s training department has been enhanced to facilitate the induction of new staff and the training of current employees to ensure the highest level of business practices.

### Sales

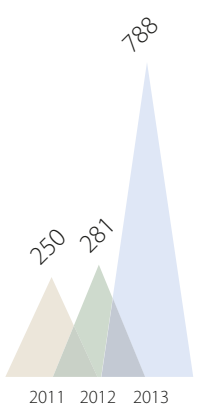
Following the launch of AKOYA by DAMAC, the Company has opened a fully operational sales centre on the site to welcome prospective clients to the master development. Staff are able to show clients around the project and highlight the current development that is taking place.

Revenue (US\$ million)



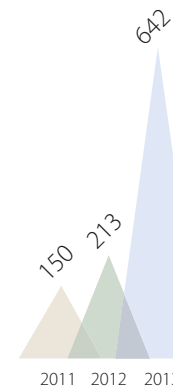
+77% increase

Gross profit (US\$ million)



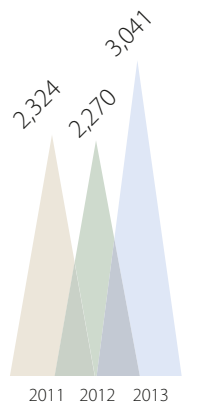
+180% increase

Net profit (US\$ million)



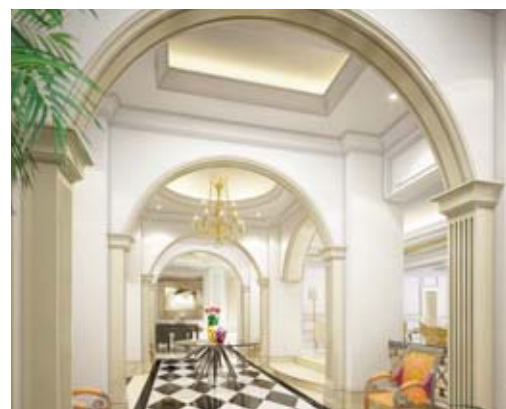
+202% increase

Total assets (US\$ million)



+34% increase

3, 4 Dubai Economic Department, Knight Frank Report, January 2014



Left: Marina Terrace, close to beachside resorts, Emirates Golf Club, Dubai International Marine Club and Dubai's stunning aqua blue waters

Right: Al Jawharah, Jeddah – the Versace show flat entrance



DAMAC Maison Upper Crest lobby

Over the past year, DAMAC has continued to make excellent progress against its operational objectives while delivering improved profitability.

**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.1,400 at 31 December 2013.

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

**Investor Relations**

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

**Business Development**

DAMAC's Business Development team is responsible for identifying the commercial and technical viability of land acquisition opportunities. The day-to-day activities of this team typically encompass market scanning, visiting prospective locations and gathering marketing information.

**Project Management**

DAMAC's Project Management team is responsible for managing the Company's developments and is headed by a group of senior project management staff. Over 300 dedicated employees are focused on controlling costs, monitoring contractors and pro-actively managing the procurement process to ensure projects are "packaged" in the optimum

manner to keep costs under control whilst ensuring that quality is maintained.

Also within this department is an expert design team that adds value to projects by ensuring that designs meet the high standards of quality required and are cost-effective as well as being engineered to achieve the optimum saleable area, thereby driving up returns. The design team also seek to ensure that designs are flexible enough to allow for a change of use, for example, from commercial to residential (and vice versa) where market conditions are such that another use is more profitable than that originally envisaged.

**Marketing**

DAMAC's Marketing team is responsible for all aspects of marketing the Company's developments, including advertising and media relations. Conceptual designs for marketing materials are developed in-house with the use of external advisers such as McCann Erikson and the global retail and branding consultancy FITCH in relation to major initiatives such as the serviced branded apartment developments and the launch of the AKOYA by DAMAC golf community.

**Sales**

The Sales team is responsible for selling DAMAC's developments to customers and is organised into 15 sales centres globally. The sales team work on following up with potential customers identified both by the corporate marketing team and by themselves from their respective prospecting activities, as well as from exhibitions and roadshows.

While the services of external brokers are utilised, it is DAMAC's sales teams that follow up and close the transactions with potential customers identified by these brokers. The sales teams have a presence in six countries.

DAMAC's in-house Sales team and extensive global external broker network allow it to search a loyal and global customer base through a sophisticated marketing strategy and approximately 29% of the Group's customer base are repeat customers.

**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.

**Legal**

DAMAC's in-house Legal team protects and promotes the Company's interests by providing legal services. It is responsible for DAMAC's day-to-day legal requirements, including negotiating contracts for land acquisition and/or with contractors and brand licensing arrangements. It also appoints and manages external counsel for litigious matters and in relation to specialist advice.

**Information Technology**

DAMAC's in-house IT team is responsible for managing the Company's IT needs by procuring, testing and updating all relevant IT systems. It also provides IT support to all of DAMAC's offices and maintains their IT systems.

**Corporate Communications**

DAMAC's Corporate Communications division is responsible for all the day-to-day in-house and external communications relating to the Company. Working with local, regional and international media on a daily basis, the Corporate Communications team is tasked with managing DAMAC's news output. This includes media relations, internal communications, brand management, reputational risk management and mitigation, corporate social responsibility, and issues management. The team is also responsible for all social media activity and works closely with the marketing team on branding and DAMAC's corporate message.

**DAMAC Maison**

DAMAC's in-house hospitality team is responsible for managing the Company's growing portfolio of leisure assets in the serviced branded hotel apartment developments. It provides complete hospitality management.

**Facilities Management**

DAMAC's in-house Strata and Owners' Association Facilities Management team comprises 31 members. 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.

In connection with this role, the facilities management team provides general management services to owners' associations (that it also operates), which entails the negotiation of supplier and 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**

Furthermore, the Company has a number of management committees that are charged with operational decision-making processes and governance that is detailed on pages 44 to 46. DAMAC recognises the importance of talent within the Company as well as the motivation of all its employees. A performance management system has been implemented where DAMAC's objectives are translated into measurable departmental and individual objectives, which are then monitored regularly and appraised bi-annually. These key performance indicators assist management in awarding bonuses and rewards. The Company has also instituted a range of employee benefits such as providing health insurance, various allowances and bonuses to employees.

The Company has also implemented a development plan for its staff through quality training, as well as establishing and maintaining standards of professional conduct. Development of employees is carried out primarily through in-house training but when specialist training needs are identified, they are catered for through appropriate external resources. Individual employee training requests are managed carefully to align the goals of employees with those of the Company.

**Our Customers**

DAMAC has an existing customer base of over 12,000 from 130 countries and access to more than 300,000 potential customers through the agents network databases.

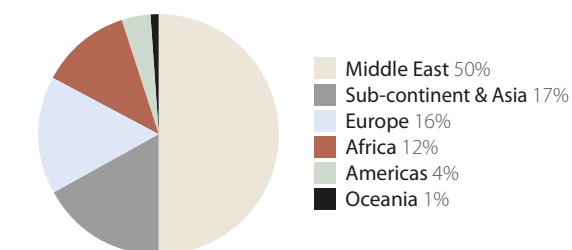
The customer base is managed by DAMAC's Client Relationship Management team and through its network of international sales offices and agents. The following table illustrates the proportion of clients based in Africa, Asia, Europe, the Middle East, North America and other countries.

DAMAC's customers typically fund their purchases through direct equity. Few customers require mortgages or other forms of debt financing to fund their purchase.

**Talent acquisition, training and other 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 recruitment, induction, training, performance management and administration.

**Customers by geographic reference<sup>1</sup>**



<sup>1</sup> Customer base by number of units 2007 to 2013  
Source: Company information as of January 2014

### Managing customer relationships

The Company has an in-house Customer Relationship Management team that focuses on providing the highest standards of customer care throughout the life cycle of the customer relationship. This approach to customer care enhances the Company's reputation as a trusted property developer and enables it to achieve high levels of customer satisfaction.

The Company's customer relationship management team is the primary customer contact point and also manages the customer relationship post-sale. The team manages the call centre and requests from customers. They are also responsible for the handover process of completed units.

The team utilises Oracle's industry standard eBusiness Suite ERP. DAMAC continues to develop 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.

This has included upgrading the Oracle eBusiness suite ERP system to R12 and implementing the industry-leading Siebel CRM system.

### Customer satisfaction measurement

Customer satisfaction at DAMAC is evidenced by 29% of repeat customers. In addition, the Company continues to provide the facilities management for the owners' association in all of the projects it has completed to date.

### Health, safety and the environment

Responsibility for health, safety and the environment ("HSE") on the sites of the Company's developments lies with its contractors. DAMAC is committed to ensuring that sound HSE principles are incorporated into the Company's business philosophy and strategy to reduce risks to an acceptable level in accordance with best industry practices.

DAMAC either appoints a supervision consultant or internally provides a manager to monitor the progress of construction and the implementation of local municipality and international health and safety guidelines and regulations in each of its projects. The supervision consultant either hires an external health and safety officer or is provided with one internally to work with the project manager.

For each project, DAMAC also appoints a project manager to inspect both the physical conditions on the site, such as personal protective equipment, work heights and confined spaces, and procedural issues such as certification, fire and first aid procedures and training registers. DAMAC's project manager is empowered to give authority to the appointed health and safety officer to issue reports, stop work and impose fines should designated HSE policies not be followed. The health and safety officer also tracks and reports monthly key performance indicators on the project such as number of workers, lost days, first aid and accidents. In some cases, where no health and safety officer is appointed by the supervision consultant, DAMAC hires 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.

DAMAC also seeks to adhere to the highest quality and environmental management processes and is committed to the UAE Government's "green buildings" initiative, creating energy-efficient residential and commercial buildings that support development.

In this respect, DAMAC is 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.



Artist's impression

Left: The Mashrabya facade brings Arabic traditions to DAMAC Esclusiva luxury hotel apartments in Riyadh

Below: An artist's impression of DAMAC Maison The Distinction lobby



Artist's impression

# Sustainability

DAMAC is among the most prominent companies in Dubai. As a result, it takes its community and environmental responsibilities seriously.



Optimal fenestrations and high-performance glazing systems will reduce heat load and air-conditioning energy requirements

## Sustainability

Complying with all applicable local laws and regulations in the countries in which it operates, DAMAC aims to build high quality developments which are constructed in accordance with relevant international standards and with a strong emphasis on the safety and well-being of employees, residents and visitors.

Detailed below are the activities DAMAC undertakes 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.

## The environment and energy efficiency

DAMAC's developments are designed to be energy-efficient. Wherever commercially viable, the company looks to install the latest technologies and design features in its buildings, providing new ways to help residents save energy.

## Case study 1:

AKOYA by DAMAC is being developed based on fundamental passive sustainable design principles, as well as innovative and active technologies that will reduce the running costs of homes.

- ❖ AKOYA by DAMAC, being a self-sustained community, provides all the basic amenities to its residents. These include day-care facilities, a kindergarten, primary and secondary schools, clinics, mosques, police and civil defence outposts, as well as retail and restaurants. Enhanced community connectivity ensures that AKOYA by DAMAC stays a sustainable development.

- ❖ Heavily landscaped and shaded streetscapes encourage the residents to walk within the development. In addition, bicycle tracks, bicycle parking as well as low emissivity/battery powered vehicles will be provided within the community to enhance connectivity and to reduce the carbon footprint of the development.

- ❖ Grade levels (levels of roads and buildings) will be achieved by cut and fill activities, with material sourced from within the development. This reduces the construction waste generation and the requirement of landfill material being brought in from outside the development. In addition, site activities will be carefully monitored to ensure construction pollution control as well as erosion and sedimentation prevention.

- ❖ Municipality Water ("TSE") will be used for irrigation as well as in the lakes, pools and water bodies dotting the golf course. This will bring down the fresh water requirements of the community drastically, in comparison to similar golf developments.

- ❖ Optimal fenestrations and high-performance glazing systems will reduce heat load and air-conditioning energy requirements.

- ❖ AKOYA by DAMAC's location means that solar energy can provide an excellent source of power. The Trump International Golf Club, Dubai development aims to conserve energy by harnessing solar energy for water heating in the villas and street/golf course lighting.

- ❖ The lighting on the development is designed to be highly efficient, with LED or solar powered fixtures for the street lighting and golf course, and eco lighting in the buildings. All lighting will be controlled using motion sensors, time schedules and photocells, and we will install a daylight harvesting system for buildings requiring daytime lighting.

- ❖ The air-conditioning and ventilation system will be designed in accordance with all relevant global and regional standards. Air-conditioning in the villas and small buildings will feature direct expansion systems, split units or variable refrigerant volume ("VRV") systems. For large buildings, dedicated chiller or packaged air-conditioning units will be installed.

- ❖ Similarly, all buildings will be equipped with a centralised building management system ("BMS") in order to monitor and control the energy consumption of air-conditioning and other technologies. The BMS adjusts levels of energy use depending on the season, outside temperature and time of day.

- ❖ The bulk of construction material used in AKOYA by DAMAC is locally sourced. Locally available construction materials will be preferred wherever appropriate.

## Case study 2:

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

Being a flagship project for both DAMAC and Paramount Hotels & Resorts, the project has planned 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 realised through the decision to follow the Earth Check environmental rating and benchmarking system with the goal of achieving a high rating relative to such a high-end facility.

Looking at each step, highlighted below are a few examples of the strategies that have been implemented:

## Construction stage:

- ❖ **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 minimise transportation trips.

## Project design:

- ❖ **Energy savings:** Energy efficiency is designed for the project using efficient active building equipment including:

- **Energy saving lamps:** Compact fluorescent lamps shall be provided wherever possible.
- **Power factor correction:** Power factor correction capacitors are used to increase the power factor of the system from 0.8 to 0.9 and hence to avoid wastage of reactive power.
- **Lighting control system:** A lighting control system is used to control lights based on actual demand in the following areas:
  - **Car park:** Lights shall be controlled based on time schedule. Lighting shall be operated in groups of 50%, 100%, as required, automatically.
  - **Typical floors:** Lights shall be controlled in groups of 30%, 60% and 100% based on time schedule and hence energy saving.
  - **External:** Lights are controlled by sensors that switch "on" all external lights when the external light level falls below the set value.

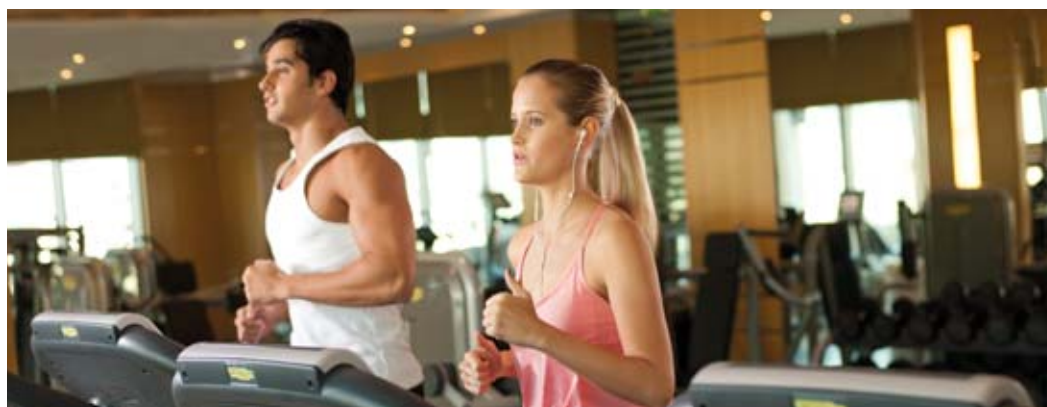


**EARTHCHECK**

DAMAC Towers by Paramount follows the Earth-Check environmental rating system

## Mechanical:

- **Secondary chilled water pumps:** The secondary pumps shall have variable speed drives and shall be employed for circulation of 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 shall remain circulating in the circuit only, thereby providing significant saving in electrical energy consumed by the pumping system.
- **Thermal heat wheel – heat recovery units:** The central extract system risers from toilets and general extract will be discharging cold air at 25 to 26°C. Heat recovery sections comprised of air to air thermal wheel heat exchangers will be added to the 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, thereby saving and reducing the cooling load.



The provision of a fully equipped gymnasium and swimming pool for staff use

- ❖ **Water savings:** water efficiency is designed for the project using water efficient faucets and fixtures, with flow rate control and timer activation.
- ❖ **Grey water system:** Collection of drain water from the wet areas, processing and reusing for irrigation purposes.
- ❖ **Passive design:** Passive design strategies, where used, include:
  - High-performance glazing systems, optimised for building orientation.
  - External screen (second facade) to reduce solar heat gain on the facades, effectively reducing 35% of direct heat gain.
- ❖ As recognition for the implemented design and operation strategies, EC3 has granted us the right to use the Earth Check logo for this project.

**Supporting charitable initiatives and philanthropic causes**

As a Dubai-based developer DAMAC is aware of its responsibilities to the wider community. The Company works with the Dubai Government and its associated charities to provide support for campaigns and initiatives to improve the lives of the less well off in Dubai and other parts of the world.

Some of DAMAC's past initiatives include:

- ❖ Donated 10 apartments to the launch of the Dubai Cares initiative that were auctioned to raise funds for an education initiative that supported one million underprivileged children;
- ❖ Provided AED 2 million to the UAE Red Crescent as part of the "Dress One Million Needy Children" campaign;
- ❖ Donated AED 1 million to the UAE Autism Centre towards the construction of a new centre in Dubai; and
- ❖ Funded annual scholarships at the American University in Dubai to benefit UAE nationals.

**Engaging with employees**

DAMAC employees are the Company's most important assets. The Company has an Employee Engagement Programme, designed to develop an inclusive corporate culture, increase staff retention, and develop professional development across the organisation.

Some initiatives include:

- ❖ Organised biannual blood drives at DAMAC's head offices;
- ❖ Formed an "Active Sports Committee" to arrange quarterly sporting events and tournaments;
- ❖ Annual Suhoor Dinners for all staff and their families; and
- ❖ The provision of a fully equipped gymnasium and swimming pool for staff use.

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 strategy as it aims to increasingly adopt international best practice across the organisation.

**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 which 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.

# Risk management



The Company has a comprehensive risk management plan that is continually monitored across the business

**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, 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 risks.
- ❖ DAMAC's strategy to focus on the hospitality sector helps mitigate against the cyclical nature of the real estate industry.

**Development**

Dependence on contractors' and subcontractors' risks

- ❖ Contractors are thoroughly screened before and during engagement.
- ❖ Contractors' operations and their working practices are supervised and monitored regularly by senior management.

Planning, general construction and development risks

- ❖ The Company's 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.
- ❖ The Company is continually tracking 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 or other currencies pegged in US dollars.

**Credit risk**

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.

DAMAC's credit risk management comprises:

- ❖ Constantly monitoring collection of instalment payments from unit purchasers; our collection policy results in significant upfront payments (typically 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.
- ❖ Prior agreements with contractors enables us to retain 5-15% of the work done amount due to contractors 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**

DAMAC efficiently manages liquidity risk through the following:

- ❖ Timely monetisation of land bank. In keeping with the company's land bank strategy, a rolling of three- to four-year land bank to avoid over investment.
- ❖ 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.



# Building on *Experience*

DAMAC has become synonymous with luxury living and has a proven track record of delivering beyond expectations. DAMAC's highly experienced management team has significant expertise and continues to build on experience. The following section introduces management and DAMAC's business policies.

DAMAC Maison takes luxury and serviced living to new levels

# Board of Directors

Over the past year DAMAC has continued to make excellent progress against its operational objectives while delivering improved profitability.



**Mr. Hussain Sajwani**

Executive Chairman and Chief Executive Officer  
Mr. 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-1990s 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 will provide bespoke services to residents in more than 7,000 serviced branded 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 Financial Officer  
Mr. Taqi graduated with a Bachelor of Science in Mathematics-with-Engineering in 1993 from the University of Nottingham in the United Kingdom 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 United Kingdom. His experience covers both emerging and developed markets including the MENA region and the United Kingdom.

In addition to being the Group Chief Financial 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 Jazeera 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 Stewart's 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 Gases SAOG.

## Board of Directors

Name	Position
Mr. Hussain Sajwani	Executive Chairman and Chief Executive Officer
Mr. Adil Taqi	Group Chief Financial Officer
Mr. Ziad El Chaar	Managing Director
Professor John Wright	Senior Independent Director
Mr. Farooq Arjomand	Non-Executive Director
Mr. Ayalur Subbaraman	Non-Executive Director
To be appointed	Non-Executive Director

# 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.

The following section describes the key governance structures and internal controls operating within the business. Through these mechanisms, DAMAC conforms to the spirit of the UK best practice Corporate Governance Code wherever practical.

## Board constitution and procedures

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

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**Senior Independent Director**  
Professor John Wright

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**Non-Executive Directors**  
Mr. Farooq Arjomand  
Mr. Ayalur Subbaraman

It is intended that the Company shall appoint an additional Non-Executive Director in 2014.

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

Biographies of the Board members can be found on pages 42 and 43.

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

The Board intends to meet regularly, generally four times each year. The first meeting of the Board following listing was held on 11 February 2014. All Directors, with the exception of Farooq Arjomand, were present.

The Chairman is responsible for the effective running of the Board and for communications with all Directors and stakeholders. The Chairman ensures that all members of the Board receive sufficient information on agenda items, including financial, business and corporate issues. This enables other Board members to be regularly 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 Audit 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, business model and strategy.

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 in this regard with the recommendations of the UK best practice Corporate Governance Code.

## Audit Committee members:

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

Professor John Wright is a Senior Independent Director and is considered by the Board to have recent and relevant financial experience and is Chair of the Audit Committee.

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.

The Audit Committee held its first meeting on 11 February 2014, attended by Professor John Wright and Mr. AS Subbaraman; Mr. Farooq Arjomand was unable to attend. The Committee met the Head of Internal Audit and senior members

of the finance and compliance teams to gain a greater understanding of the risk management processes of the business. The Committee also met the external auditor. At its first meeting, the Audit Committee approved the Internal Audit Plan for 2014 and the terms of reference for the Audit Committee.

## 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.

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.

It is anticipated that the Nomination Committee will play a key role in the proposed selection of an additional Non-Executive Director in 2014.

## 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.

The Nomination Committee meets formally at least 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 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. AS 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 also responsible for approving the design of, and determining targets for, any performance-related pay schemes including under the Company incentive plans. 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"), 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 defence, 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.

Further information on the Group's risk management is detailed on page 39.

## 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 2013.

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

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

In preparing the financial statements the Directors are required to:

- ❖ Ensure that the financial statements comply with the Memorandum and Articles of Incorporation and IFRS;
- ❖ Select suitable accounting policies and apply them consistently;
- ❖ Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ❖ Make judgements and estimates that are reasonable and prudent;
- ❖ Prepare the financial statements on the 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 3 March 2014.



Mr. Hussain Sajwani  
Executive Chairman and Chief Executive Officer



Mr. Adil Taqi  
Group Chief Financial Officer

# Excelling in *Performance*

DAMAC's strong culture, business strategy, relationships and collaborations as well experienced management and business policies all add up to a successful and profitable Company that excels in excellence. The following section contains our financial statements.

DAMAC Residence is filled with limitless luxury as well as showing many fine details of opulent living

# Directors' report

For the year ended 31 December 2013

The Directors have 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 2013. The net profit for the year is US\$641.5 million (2012: US\$212.5 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 2012		12.5
Total comprehensive income for the year		
Revenue	1,224.3	
Cost of sales	(436.3)	
Interest and other income	74.5	
Expenses	(221.0)	
Total		641.5
Transfer to statutory reserve		(0.3)
Dividend paid		(119.7)
<b>Balance at 31 December 2013</b>		<b>534.0</b>

On behalf of the Board of Directors



Hussain Sajwani  
Chairman

# Independent auditors' report

To the shareholders of  
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 2013, consolidated statement of comprehensive income, consolidated statement of changes in 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.

## Auditors' 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 financial statements. The procedures selected

depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 present fairly, in all material respects, the financial position of DAMAC Real Estate Development Limited, DIFC (the "Company") and its subsidiaries (together the "Group") as at 31 December 2013, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



Deloitte and Touche  
3 March 2014

**Deloitte.**

# Consolidated statement of financial position

As at 31 December 2013

	Notes	2013 US\$ Million	2012 US\$ Million
<b>Assets</b>			
Property and equipment	8	12.5	11.2
Development properties	9	1,932.7	1,565.4
Other financial assets	10	77.9	72.2
Trade and other receivables	11	409.5	63.2
Financial investments	12	30.7	–
Due from related parties	13	–	439.1
Cash and bank balances	14	578.2	119.2
<b>Total assets</b>		<b>3,041.5</b>	<b>2,270.3</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	15	650.0	86.4
Statutory reserve	16	41.3	41.0
Group restructuring reserve	15	(566.7)	–
Investment revaluation reserve		0.5	–
Retained earnings		534.0	12.5
<b>Total shareholders' equity</b>		<b>659.1</b>	<b>139.9</b>
<b>Liabilities</b>			
Bank borrowings	17	85.3	104.4
Due to related parties	13	1.2	191.5
Provision for employees' end of service indemnity	18	4.9	3.5
Trade and other payables	19	2,291.0	1,831.0
<b>Total liabilities</b>		<b>2,382.4</b>	<b>2,130.4</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,041.5</b>	<b>2,270.3</b>


Hussain Sajwani  
Chairman

Adil Taqi  
Director

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

# Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	2013 US\$ Million	2012 US\$ Million
Revenue	20	1,224.3	692.0
Cost of sales	9	(436.3)	(410.6)
<b>Gross profit</b>		<b>788.0</b>	<b>281.4</b>
Other operating income	21	69.4	5.5
General, administrative and selling expenses	22	(181.1)	(44.6)
Brokerage commissions		(63.4)	(14.6)
Depreciation	8	(3.6)	(3.5)
Reversal of/(provision for) impairment on development properties	9	27.1	(11.6)
<b>Operating profit</b>		<b>636.4</b>	<b>212.6</b>
Other income	23	5.7	2.9
Finance income		4.3	2.5
Finance costs		(4.9)	(5.5)
<b>Profit for the year</b>		<b>641.5</b>	<b>212.5</b>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		–	–
Items that may be reclassified subsequently to profit or loss		0.5	–
<b>Total comprehensive income for the year</b>		<b>642.0</b>	<b>212.5</b>
<b>Earnings per share</b>			
Basic and diluted (US cents)	29	99	N/A

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 2013

	Share capital US\$ Million	Statutory reserve US\$ Million	Group restructuring reserve US\$ Million	Investment revaluation reserve US\$ Million	Retained earnings/ (losses) US\$ Million	Total US\$ Million
Balance at 1 January 2012	85.4	41.0	–	–	(200.0)	(73.6)
Total comprehensive income for the year	–	–	–	–	212.5	212.5
Share capital addition	1.0	–	–	–	–	1.0
Balance at 31 December 2012	86.4	41.0	–	–	12.5	139.9
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 15)	563.6	–	(566.7)	–	–	(3.1)
Transfer to statutory reserve (note 16)	–	0.3	–	–	(0.3)	–
Dividend paid (note 13)	–	–	–	–	(119.7)	(119.7)
<b>Balance at 31 December 2013</b>	<b>650.0</b>	<b>41.3</b>	<b>(566.7)</b>	<b>0.5</b>	<b>534.0</b>	<b>659.1</b>

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

# Consolidated statement of cash flows

For the year ended 31 December 2013

	2013 US\$ Million	2012 US\$ Million
<b>Cash flows from operating activities</b>		
Profit for the year	641.5	212.5
Adjustments for:		
Depreciation of property and equipment (note 8)	3.6	3.5
Provision for employees' end of service indemnity (note 18)	2.0	1.1
Gain on disposal of financial investments (note 23)	(0.3)	–
Finance costs	4.9	5.5
Finance income	(4.3)	(2.5)
Provision for/(reversal of) for impairment for trade receivables (note 11)	24.0	(0.4)
(Reversal of)/provision for impairment on development properties (note 9)	(27.1)	11.6
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>644.3</b>	<b>231.3</b>
Increase in trade and other receivables	(369.3)	(7.2)
Decrease/(increase) in due from related parties	377.3	(1.7)
(Decrease)/increase in due to related parties	(310.0)	14.2
Increase/(decrease) in trade and other payables	460.0	(302.6)
(Increase)/decrease in development properties	(310.8)	84.0
(Increase)/decrease in other financial assets	(5.7)	12.7
<b>Net cash generated from operations</b>	<b>485.8</b>	<b>30.7</b>
Finance costs paid	(4.9)	(6.0)
Interest received	3.8	2.3
Employees' end of service indemnity paid (note 18)	(0.6)	(0.4)
<b>Net cash generated from operating activities</b>	<b>484.1</b>	<b>26.6</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment (note 8)	(4.9)	(2.1)
(Increase)/decrease in deposits with an original maturity of greater than three months (note 14)	(19.1)	0.1
Proceeds from disposal of financial investments (note 12)	11.6	–
<b>Net cash (used in)/from investing activities</b>	<b>(12.4)</b>	<b>(2.0)</b>
<b>Cash flows from financing activities</b>		
Bank borrowings during the year (note 17)	97.9	0.1
Repayments of bank borrowing (note 17)	(129.7)	–
Addition to share capital – net	–	1.0
<b>Net cash (used in)/generated from financing activities</b>	<b>(31.8)</b>	<b>1.1</b>
<b>Net increase in cash and cash equivalents</b>	<b>439.9</b>	<b>25.7</b>
Cash and cash equivalents at the beginning of the year	105.8	80.1
<b>Cash and cash equivalents at the end of the year (note 14)</b>	<b>545.7</b>	<b>105.8</b>

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

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 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”). These consolidated financial statements have been prepared applying the pooling of interest method as explained in note 2.

## 2. Basis of preparation

### Group restructuring

On 31 October 2013, the Company was incorporated as a new holding company for the Group. On 3 December 2013 (the “transfer date”), the Company legally acquired 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 72 underlying subsidiaries. All the operational subsidiaries of the Group are held through these five entities.

Before the transfer date, the subsidiaries of the Company were ultimately controlled by the Chief Executive Officer, which is consistent with the group of entities consolidated as at 31 December 2012. The legal entities constituting the Group for these consolidated financial statements have not previously constituted a legal group. This transaction has been accounted for under the pooling of interest method, where the consolidated financial statements of the Company are presented as a continuation of an existing group on the principle of ultimate common control and, therefore, outside the scope of IFRS 3 *Business Combinations*.

Consequently, the comparative information for the year ended as at 31 December 2012 presented in these consolidated financial statements are the results and financial position of DAMAC Properties Development Co. LLC, DAMAC General Trading LLC, DAMAC Properties Service Co. SHJ. LLC, DAMAC Real Estate Services Co. LLC, DAMAC Hotels Management LLC, DAMAC Crescent Properties Co. LLC, DAMAC Luxury Real Estate Properties Co. LLC, DAMAC Heritage Properties Co. LLC, Malak Al Rafidayn Properties Investment, Alaam Al-Dariha General Trading Limited, Luxury Facilities Management Co. (LLC), Silver Crown Properties Co. (LLC), Ocean Pearl Real Estate Company LLC, Al Hikmah International Enterprises LLC, and Excel Operations Company Limited (together the “Combined Group”) as the Group restructuring was only effected on 3 December 2013.

In anticipation of the Group restructuring, certain entities were removed from the beneficial ownership of the Chief Executive Officer between 1 July 2013 and 3 December 2013 to become legal subsidiaries of the Group. Refer to note 5 for further details.

### Statement of compliance

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

### Functional and reporting currency

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).

### Basis of consolidation

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries listed below which in total are 77 (2012: 57) companies (together the “Group”).

## 2. Basis of preparation continued

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
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 Ltd	United Arab Emirates	Real estate development	100%	100%
DAMAC General Trading LLC	United Arab Emirates	Holding company	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%
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%
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%
DAMAC Heritage 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 Crescent Properties Co LLC	United Arab Emirates	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 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%
DAMAC Crown Properties Company Limited	United Arab Emirates	Real estate development	100%	100%
DAMAC Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
DAMAC Properties Qatar WLL	Qatar	Holding company	100%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
DAMAC Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%
DAMAC Properties Lebanon SAL	Lebanon	Real estate development	100%	100%
Alaam Al-Dariha General Trading Limited	Iraq	Real estate development	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	Real estate development	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Luxury Facilities Management Co. LLC	United Arab Emirates	Facilities management	100%	100%
Luxury Owner Association Management Services	United Arab Emirates	Facilities management	100%	100%
DAMAC Properties Services Co. Shj LLC	United Arab Emirates	Sales office	49%	100%
DAMAC Real Estate Services Co LLC	United Arab Emirates	Holding company	100%	100%
Elegance Marketing Co LLC	United Arab Emirates	Marketing and public relations	100%	100%
DAMAC Homes LLC	United Arab Emirates	Group treasury operation	100%	100%
DAMAC Ocean Heights Co. LLC	United Arab Emirates	Sales office	100%	100%
DAMAC Star Properties LLC (Branch) Morouj Rotana	United Arab Emirates	Sales office	100%	100%
Royal Crown Properties Co. LLC	United Arab Emirates	Holding company	100%	100%

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 2. Basis of preparation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Frontline Investment Management Co. LLC	United Arab Emirates	Shell company	100%	100%
DAMAC Ocean Heights Co. LLC (Branch) OH	United Arab Emirates	Sales office	100%	100%
DAMAC Star Properties LLC (Branch) Al Seef	United Arab Emirates	Sales office	100%	100%
Ocean Pearl Real Estate Company LLC	United Arab Emirates	Real estate development	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%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
DAMAC Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Project development	49%	100%
Al Aman Investment Management Co. LLC	United Arab Emirates	Holding company	100%	100%
DAMAC Properties International Ltd.	Mauritius	Holding company	100%	100%
Excel Operations Company Limited	United Arab Emirates	Holding company	100%	100%
DAMAC Hotels Management LLC	United Arab Emirates	Hotels management	100%	100%
Namaa Properties Development LLC	United Arab Emirates	Real estate development	100%	100%
DAMAC Properties Company Limited (Branch)	Saudi Arabia	Sales office	100%	100%
Quality Investment Co LLC	United Arab Emirates	Shell company	100%	100%
Luxury Facilities Management Co. LLC (Branch)*	United Arab Emirates	Facilities management	100%	100%
Maksab Holding Limited*	BVI	Holding company	100%	100%
Kings Valley Investment Co LLC*	United Arab Emirates	Shell company	100%	100%
Blue Eagle Investment Co LLC*	United Arab Emirates	Trust arrangement	100%	100%
Majara Investments Limited*	BVI	Investment company	100%	100%
Star Luxury LLC*	Russia	Sales office	99%	100%
DAMAC FC Holding Co Ltd*	United Arab Emirates	Holding company	100%	100%
DAMAC TR Holding Co Ltd*	United Arab Emirates	Holding company	100%	100%
DAMAC Tuscan Residence LLC*	United Arab Emirates	Holding company	100%	100%
Prosperity Trading WOFE*	China	Trading company	100%	100%
Daman Holding Limited*	BVI	Shell company	100%	100%
Arjann Holdings Limited*	BVI	Shell company	100%	100%
DAMAC Ocean Heights Company* Limited*	United Arab Emirates	Real estate development	100%	100%
Bright Gulf Investments Limited*	BVI	Shell company	100%	100%
Accredited Holding Limited*	BVI	Shell company	100%	100%
Ali Habib Kukar's Real Estate Office*	Saudi Arabia	Sales office	100%	100%
DAMAC Enterprises & Management Co. LLC*	United Arab Emirates	Trade marks	100%	100%
DAMAC Enterprises Co. Ltd*	Mauritius	Trade marks	100%	100%
DAMAC Media And Marketing LLC*	United Arab Emirates	Marketing and public relations	100%	100%
Sadaf Investment Limited*	United Arab Emirates	Holding company	100%	100%

\* These entities became part of the Group during the year ended 31 December 2013.

## 2. Basis of preparation continued

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.

## 3. Adoption of new and revised IFRS

### 3.1 Revised IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRS have been adopted in these consolidated financial statements. The adoption of these new and revised IFRS have not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- ❖ *Amendments to IFRS 7 Financial Instruments Disclosures: Offsetting of Financial Assets and Financial Liabilities*  
The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar agreement.
- ❖ *IFRS 13 Fair Value Measurement*  
The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a framework for measuring fair value and is applicable to both financial and non-financial instruments. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.
- ❖ *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*  
The Group has applied the amendments to IAS 1 for the first time in the current year. The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above-mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on the consolidated statement of comprehensive income.
- ❖ *IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*  
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control in such a manner that to meet the definition of control, all three criteria must be met including: (a) an investor has power over an investee; (b) the investor has exposure or rights to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 3. Adoption of new and revised IFRS continued

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

The Group has not early adopted 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
IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt and equity instruments are measured at their fair values at the end of subsequent accounting periods. IFRS 9 also changes the criteria regarding the classification and measurement of financial liabilities relating to changes in the credit risk of that liability. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.	1 January 2017
Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27.	1 January 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 2014 or as and when they are applicable, and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

## 4. Significant accounting policies

### 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 individual units from the Group's development properties. From 2013, the Group has commenced the sale of land plots and has recognised revenues.

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 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 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.

## 4. Significant accounting policies continued

### *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.

### *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 profit or loss on sale is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific cost based on the relative value of the property sold.

### **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**

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

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

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

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 4. Significant accounting policies continued

### 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 profit or loss.

### Impairment of property and equipment

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 (CGU), 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 CGUs, or otherwise they are allocated to the smallest group of CGUs 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 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.

## 4. Significant accounting policies continued

### Leases

For the years ended 31 December 2012 and 31 December 2013, 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.

### 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 operate (the functional currency).

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

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

### 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 derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost applying the effective interest method, less any impairment.

#### *Available-for-sale financial assets*

The Group's investments in shares and bonds are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 25.

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 profit or loss.

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 4. Significant accounting policies 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 reorganisation; 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 profit or loss.

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 profit or loss 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 profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through profit or loss 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 profit or loss.

### 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 profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## 4. Significant accounting policies continued

### *Financial liabilities*

Other financial liabilities include bank borrowings, accruals and other payables. These are subsequently measured at amortised cost applying the effective interest method.

### *Derecognition of financial liabilities*

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

### **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument 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.

### **Taxation**

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

### **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 profit or loss in the period in which they are incurred.

### **Group restructuring reserve**

The Group restructuring reserve arose on consolidation under the pooling of interests method used for the Group restructuring which took place on 3 December 2013. This represents the difference between the share capital of the "Combined Group" and the Company at the date of the restructuring. This reserve is not distributable.

### **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.

### **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.

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 5. Business combination 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. As explained in note 2, this transaction falls outside the scope of IFRS 3 *Business Combinations*, therefore the pooling of interests method is applied and the consolidated financial statements of the Group are presented as a continuation of the "Combined Group". The following accounting treatment was applied:

- 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;
- 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; and
- comparative numbers presented in the consolidated financial statements are those of the "Combined Group" for the year ended and as at 31 December 2012.

## 6. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical accounting judgements in applying accounting policies

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

### *Litigation*

The Group is subject to litigation in the normal course of its business. Based on judgement with input from in-house legal advisers, 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.

### *Revenue recognition: determining the point of handover*

As defined in the Group's revenue recognition policy (note 4), the Group recognises revenue at the point of handover. Management makes an ongoing assessment of the minimum level of cash collection required for units 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/plots of land.

As a response to improvements in prevailing market conditions, during 2013, management reassessed the Group's minimum cash collection threshold, resulting in lower minimum threshold for unit handover. This has an impact on the level of revenue, receivables and associated provisions in the year.

### *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.

## 6. Critical accounting judgements and key sources of estimation uncertainty continued

### *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 profit or loss, 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.

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 2013, 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 2013.

### Key sources of estimation uncertainty

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

### *Going concern assumption*

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

### *Completion of projects*

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

### *Provision for impairment on trade receivables*

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

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 7. 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".

	2013 US\$ Million	2012 US\$ Million
<b>Revenue</b>		
Domestic	1,224.3	692.0
International	–	–
<b>Total revenue</b>	<b>1,224.3</b>	<b>692.0</b>
<b>Development properties</b>		
Domestic	1,358.1	1,135.7
International	574.6	429.7
<b>Total development properties</b>	<b>1,932.7</b>	<b>1,565.4</b>

## 8. Property and equipment

	Furniture and fixtures US\$ Million	Tools and office equipment US\$ Million	Motor vehicles US\$ Million	Total US\$ Million
<b>Cost</b>				
At 31 December 2011	11.8	14.0	0.5	26.3
Additions	1.9	0.2	–	2.1
At 31 December 2012	13.7	14.2	0.5	28.4
Additions	4.2	0.4	0.3	4.9
<b>At 31 December 2013</b>	<b>17.9</b>	<b>14.6</b>	<b>0.8</b>	<b>33.3</b>
<b>Accumulated depreciation</b>				
At 31 December 2011	6.0	7.4	0.3	13.7
Charge for the year	1.8	1.7	–	3.5
At 31 December 2012	7.8	9.1	0.3	17.2
Charge for the year	3.1	0.4	0.1	3.6
<b>At 31 December 2013</b>	<b>10.9</b>	<b>9.5</b>	<b>0.4</b>	<b>20.8</b>
<b>Net book value</b>				
<b>At 31 December 2013</b>	<b>7.0</b>	<b>5.1</b>	<b>0.4</b>	<b>12.5</b>
At 31 December 2012	5.9	5.1	0.2	11.2

## 9. Development properties

	2013 US\$ Million	2012 US\$ Million
Balance at the beginning of the year	1,565.4	1,638.1
Additions	745.6	325.7
Transfers to cost of sales	(434.8)	(409.7)
Transfers from a related party (note 13)	29.4	22.9
Impairment reversal/(provision)	27.1	(11.6)
<b>Balance at the end of the year</b>	<b>1,932.7</b>	<b>1,565.4</b>

### Impairment of development properties

At 31 December 2013, 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 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 an impairment reversal of US\$27.1 million during the year (2012 provision: US\$11.6 million), reflecting an upturn in macroeconomic conditions and a resulting improvement in current and expected future sales prices.

Following these impairment reversals, US\$161.4 million (2012: US\$144.1 million) are valued at fair value less costs to sell rather than at historical cost.

### 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:

	2013 US\$ Million	2012 US\$ Million
Land held for future development	83.8	185.2
Land/properties under development	1,650.4	1,295.8
Completed properties	198.5	84.4
	<b>1,932.7</b>	<b>1,565.4</b>

Total borrowing costs capitalised during the year are US\$2.2 million (2012: US\$4.5 million).

## 10. Other financial assets

	2013 US\$ Million	2012 US\$ Million
Escrow retention accounts	72.8	69.9
Margin deposits	4.9	2.3
Other deposits	0.2	–
	<b>77.9</b>	<b>72.2</b>

In accordance with applicable laws, the Group holds funds under escrow in banks accounts managed by approved agents. 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 2013, 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 2013

## 11. Trade and other receivables

	2013 US\$ Million	2012 US\$ Million
Trade receivables	329.8	6.1
Less: Provision for impairment on trade receivables	(29.8)	(5.8)
	300.0	0.3
Advances and deposits	104.4	60.3
Prepayments and other receivables	5.1	2.6
	409.5	63.2

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.

As a response to improvements in prevailing market conditions, during 2013, management reassessed the Group's minimum cash collection threshold, resulting in a lower minimum threshold for unit handover, and hence revenue recognition occurring with larger outstanding receivables balances than in previous periods. Further, the Group has recognised revenue on the sale of land plots for the first time in 2013, for which the outstanding amounts receivable at the point of revenue recognition are significant. These changes have driven the increase in the trade receivables balance and there is an associated increase in the level of provision for impairment on receivable balances.

Movement in the provision for impairment on trade receivables:

	2013 US\$ Million	2012 US\$ Million
Balance at beginning of the year	5.8	6.2
Provision/(reversal) for the year (note 22)	24.0	(0.4)
Balance at the end of the year	29.8	5.8

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.

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

	Total US\$ Million	Neither past due nor impaired US\$ Million	Past due but not impaired		
			1 - 60 days US\$ Million	61 - 180 days US\$ Million	> 180 days US\$ Million
31 December 2013	300.0	288.0	9.0	3.0	–
31 December 2012	0.3	–	0.1	0.2	–

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

	2013 US\$ Million	2012 US\$ Million
1 - 60 days	1.4	–
61 - 180 days	0.6	–
Above 180 days	27.8	5.8
	29.8	5.8

## 12. Financial investments

	2013 US\$ Million	2012 US\$ Million
Available-for-sale financial investments	30.7	–

On 30 June 2013, the Group acquired the entire share capital of Majara Investments Limited ("Majara") from a related party. The primary activity of Majara is investment in financial instruments, including but not limited to, debt and equity instruments, with a view to earn returns through capital appreciation and interest/dividend from such financial instruments.

The total consideration was US\$40.1 million, which was equal to the net assets of Majara at the date of acquisition, with assets and liabilities being valued using the "fair value" method. The consideration was settled by reducing the outstanding balances owed by the related party to the Group by US\$40.1 million. Following table summarises the net assets acquired:

	US\$ Million
Available-for-sale financial investments	41.5
Trade and other receivables	0.7
Cash and bank balances	10.6
<b>Total assets</b>	<b>52.8</b>
Bank borrowings	(12.7)
<b>Total net assets acquired</b>	<b>40.1</b>

During the year, financial investments with a fair value of US\$11.3 million were disposed for a consideration of US\$11.6 million. The resulting gain on disposal of US\$0.3 million was recorded in profit or loss.

## 13. 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.

The Group from time to time finances the working capital needs of other related parties. At the reporting date, balances with related parties were as follows:

	2013 US\$ Million	2012 US\$ Million
<b>Due from related parties</b>		
Balances due from the Chief Executive Officer and entities under his control	–	439.1
<b>Due to related parties</b>		
Balances due to the Chief Executive Officer and entities under his control	1.2	191.5

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 13. Related party transactions continued

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

	2013 US\$ Million	2012 US\$ Million
<b>Chief Executive Officer</b>		
Transfers of development properties (note 9)	29.4	22.9
Dividend*	119.7	–
Settlement through asset transfer (net)**	(40.1)	–

\* Dividend – a dividend of US\$119.7 million was declared on 30 June 2013. No cash was paid to settle this dividend, and the total amount declared was offset against amounts owed by the Chief Executive Officer.

\*\* Settlement through asset transfer – on 30 June 2013, the Chief Executive Officer settled US\$40.1 million of amounts payable to the Group through the transfer of Majara Investments Limited ("Majara"). The primary activity of Majara is investment in financial instruments, including but not limited to, debt and equity instruments, with a view to earn returns through capital appreciation and interest/dividend.

The total consideration of US\$40.1 million was equal to the net assets of Majara at the date of acquisition, with assets and liabilities being valued using the "fair value" method. Refer note 12 for further details.

## 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*.

	2013 US\$ Million	2012 US\$ Million
Short-term employee benefits	2.7	1.8
Termination benefits – EOSB	0.1	0.1
	<b>2.8</b>	<b>1.9</b>

## 14. Cash and bank balances

	2013 US\$ Million	2012 US\$ Million
Cash on hand	5.7	0.7
Cash held in escrow	497.7	101.0
Bank balances	42.3	4.1
Fixed deposits	32.5	13.4
Cash and bank balances	<b>578.2</b>	<b>119.2</b>
Less:		
Fixed deposits with an original maturity of greater than three months	(32.5)	(13.4)
Cash and cash equivalents	<b>545.7</b>	<b>105.8</b>

Cash held in escrow represents cash received from customers which is held in escrow bank accounts managed by approved escrow agents. Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence, considered as cash and cash equivalents.

## 15. Share capital

		2013 US\$ Million	2012 US\$ Million	
Authorised, issued and fully paid share capital				
		<b>650.0</b>	<b>86.4</b>	
	Number of shares	31 December 2013 US\$ Million	30 June 2013 US\$ Million	31 December 2012 US\$ Million
DAMAC Real Estate Development Limited, DIFC	650,000,000	650.0	N/A	N/A
DAMAC Properties Development Co LLC	300,000,000	–	81.5	81.5
DAMAC General Trading LLC	3,000,000	–	0.8	0.8
Kings Valley Investment Co.	3,000,000	–	0.8	N/A
DAMAC Tuscan Residences LLC	300,000	–	0.2	N/A
DAMAC Properties International Limited, Mauritius	1	–	–	N/A
DAMAC Properties Services Co. Sharjah LLC	3,000,000	–	–	0.8
DAMAC Real Estate Services Co LLC	3,000,000	–	–	0.8
DAMAC Hotels Management LLC	3,000,000	–	–	0.8
DAMAC Crescent Properties Co LLC	1,000,000	–	–	0.3
DAMAC Luxury Real Estate Properties Co LLC	1,000,000	–	–	0.3
DAMAC Heritage Properties Co LLC	1,000,000	–	–	0.3
Malak Al Rafidayn Properties Investment	900,000	–	–	0.2
Alaam Al-Dariha General Trading Limited	600,000	–	–	0.2
Luxury Facilities Management Co. (LLC)	300,000	–	–	0.1
Silver Crown Properties Co.(LLC)	300,000	–	–	0.1
Ocean Pearl Real Estate Company LLC	300,000	–	–	0.1
Al Hikmah International Enterprises LLC	200,000	–	–	0.1
Excel Operations Company Limited	50,000	–	–	–
		<b>650.0</b>	<b>83.3</b>	<b>86.4</b>

The Company was incorporated on 31 October 2013 with a share capital of 50,000 shares at a par value of US\$1 each. Reductions in share capital as at 30 June 2013 of US\$3.1 million were as a result of changes to the legal structure of the "Combined Group", whereby the ownership of certain entities within the Group was consolidated.

### 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. This represents the difference between the share capital of the "Combined Group" and DAMAC Real Estate Development Limited, DIFC at the date of the group restructuring. This reserve is not distributable.

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 16. 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.

## 17. Bank borrowings

	2013 US\$ Million	2012 US\$ Million
Bank loans	71.4	98.8
Overdrafts	13.9	5.6
	<b>85.3</b>	<b>104.4</b>

### 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:

	2013 US\$ Million	2012 US\$ Million
Facility 1	3.7	11.5
Facility 2	–	28.5
Facility 3	6.2	33.1
Facility 4	20.1	4.1
Facility 5	–	10.0
Facility 6	25.3	11.6
Facility 7	16.1	–
	<b>71.4</b>	<b>98.8</b>

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

	2013 US\$ Million	2012 US\$ Million
On demand or within one year	59.6	75.3
In the second year	23.5	23.3
In the third to fifth year inclusive	2.2	5.8
	<b>85.3</b>	<b>104.4</b>
Less: Amount due for settlement within 12 months	(59.6)	(75.3)
Amount due for settlement after 12 months	25.7	29.1

At 31 December 2013, bank borrowings carry interest rates based on EIBOR/DIBOR/LIBOR plus agreed commercial margins. Details for the weighted average interest rate payable on the Group's loan facilities is included in note 26.

## 17. Bank borrowings continued

### Security arrangement

At 31 December 2013, bank facilities (including overdrafts) were secured by:

### Personal guarantee

The Chief Executive Officer has provided personal security over borrowings totalling US\$86 million. A family member of the Chief Executive Officer has provided personal security over borrowings totalling US\$16 million.

### Corporate guarantees of Group entities

Corporate guarantees for the borrowings from Facility 1, Facility 3 and Facility 4 are provided by the borrowing entities in the Group. In certain instances additional corporate guarantees are provided by the operational subsidiaries of the borrowing entities or by other entities not within the Group but under the control of the Chief Executive Officer.

### Shares pledged by entities under common control

The credit facility provided by Facility 3 is secured against shares held by the Chief Executive Officer.

### Mortgages over plots of land

Loans from Facility 1, Facility 3, Facility 4, Facility 6, totalling US\$55.2 million as of 31 December 2013 are secured by plots of land. The carrying value of these plots of land totalled US\$152.1 million as at 31 December 2013.

### Bonds pledge

Loans from Facility 7, totalling US\$16 million as of 31 December 2013 are secured by bonds held by the Group. The carrying value of these bonds totalled US\$30.7 million as at 31 December 2013.

## 18. Provision for employees' end of service indemnity

	2013 US\$ Million	2012 US\$ Million
Balance at the beginning of the year	3.5	2.8
Charge for the year	2.0	1.1
Payments during the year	(0.6)	(0.4)
Balance at the end of the year	<b>4.9</b>	<b>3.5</b>

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.

## 19. Trade and other payables

	2013 US\$ Million	2012 US\$ Million
Advances from customers	1,715.3	1,587.0
Accruals	101.6	98.8
Other payables	142.3	57.4
Retentions payable	99.3	80.3
Provision for development properties payments	232.5	7.5
	<b>2,291.0</b>	<b>1,831.0</b>

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

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 20. Revenue

	2013 US\$ Million	2012 US\$ Million
Constructed apartments	799.2	692.0
Sale of land	425.1	–
	<b>1,224.3</b>	692.0

As a response to improvements in prevailing market conditions, during 2013, management reassessed the Group's minimum cash collection threshold, resulting in a lower minimum threshold for revenue recognition. Further, the Group has recognised revenue on the sale of land plots for the first time in 2013.

## 21. Other operating income

	2013 US\$ Million	2012 US\$ Million
Penalties from overdue customers	4.4	3.9
Income from cancellation of units	64.9	1.6
Unit registration and transfer fees	0.1	–
	<b>69.4</b>	5.5

## 22. General, administrative and selling expenses

	2013 US\$ Million	2012 US\$ Million
Staff costs	72.4	26.2
Advertising and sales promotion	46.1	8.7
Legal and professional	12.4	0.9
Rent and licence fees	6.8	2.3
Repairs and maintenance	4.9	0.3
Bank charges	2.6	0.8
Travel and conveyance	2.4	0.7
Communication	1.7	0.6
Provision for/(reversal of) impairment on trade receivables (note 11)	24.0	(0.4)
Other	7.8	4.5
	<b>181.1</b>	44.6

The increase in provision for impairment on trade receivables in 2013 reflects a significant increase in exposure to trade receivables on unit purchases in this year and associated provisions. This results from an increase in the level of revenue recognised on units with outstanding cash balances due from the buyers.

## 23. Other income

	2013 US\$ Million	2012 US\$ Million
Management fees	2.0	2.7
Gain on disposal of financial investments	0.3	–
Other	3.4	0.2
	<b>5.7</b>	2.9

## 24. Contingent liabilities

	2013 US\$ Million	2012 US\$ Million
Bank guarantees	79.8	28.4

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 the above dates.

## 25. 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 4 to the consolidated financial statements.

### (b) Categories of financial instruments

	2013 US\$ Million	2012 US\$ Million
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	956.6	630.8
Financial investments	30.7	–
	<b>987.3</b>	630.8
<b>Financial liabilities</b>		
At amortised cost	435.3	532.4

### (c) Fair value of financial instruments

The Group held the following financial instruments at fair value at 31 December 2013. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 25. Financial instruments continued

Description	31 December 2013 US\$ Million	Quoted prices in active markets for identical assets/liabilities (level 1) US\$ Million	Fair value measurements at the end of the reporting period using: Significant other observable inputs (level 2) US\$ Million
<b>Financial assets</b>			
Financial investments	30.7	30.7	–
<b>Total</b>	<b>30.7</b>	<b>30.7</b>	<b>–</b>

## 26. 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.

### (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 period ended 31 December 2013 would decrease/increase by US\$0.4 million (31 December 2012: 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 do not represent significant currency risk to the Group.

## 26. Financial risk management continued

### (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.

### (e) Liquidity risk management

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

#### Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year US\$ Million	1 - 2 years US\$ Million	3 - 5 years US\$ Million	Total US\$ Million
<b>31 December 2013</b>					
Non-interest bearing		350.0	–	–	350.0
Variable interest rate instruments	5.32	59.6	23.5	2.2	85.3
		<b>409.6</b>	<b>23.5</b>	<b>2.2</b>	<b>435.3</b>
<b>31 December 2012</b>					
Non-interest bearing		428.0	–	–	428.0
Variable interest rate instruments	5.77	75.3	23.3	5.8	104.4
		<b>503.3</b>	<b>23.3</b>	<b>5.8</b>	<b>532.4</b>

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

	Weighted average effective interest rate %	Less than 1 year US\$ Million	1 - 2 years US\$ Million	3 - 5 years US\$ Million	Total US\$ Million
<b>31 December 2013</b>					
Non-interest bearing		876.9	–	–	876.9
Variable interest rate instruments	2.41	110.4	–	–	110.4
		<b>987.3</b>	<b>–</b>	<b>–</b>	<b>987.3</b>
<b>31 December 2012</b>					
Non-interest bearing		545.2	–	–	545.2
Variable interest rate instruments	2.25	85.6	–	–	85.6
		<b>630.8</b>	<b>–</b>	<b>–</b>	<b>630.8</b>

# Notes to the consolidated financial statements

For the year ended 31 December 2013

## 27. 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 17, 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.

## 28. Commitments

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

	2013 US\$ Million	2012 US\$ Million
– Contracted for	846.5	628.5
– Committed but not contracted for	2,728.2	630.1
	<b>3,574.7</b>	1,258.6
Commitments in respect of future land payments classified under development properties	–	19.1

Future instalments receivable from customers under contracts for sale of properties directly related to the Group's commitments for the development and construction of assets related to these future receivables amounted to US\$2.5 billion as of 31 December 2013 (31 December 2012: US\$1.4 billion).

## 29. Earnings per share

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

	2013	2012
Profit for the year (US\$ million)	641.5	212.5
Number of ordinary shares (million)	650.0	N/A
Earnings per ordinary share – basic and diluted (US\$)	0.99	N/A

There were no instruments or any other items which could cause an antidilutive effect on the earnings per share calculation. As explained in note 2, the Group was restructured on 3 December 2013. Since the transaction falls outside the scope of IFRS 3 *Business Combinations*, so the pooling of interests method is applied and the consolidated financial statements of the Group are presented as a continuation of the "Combined Group". If the share capital had been consistent in 2012, the comparable EPS would have been US\$0.33 per share. Refer to note 5 for further details.

## 30. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2013 were approved by the Board and authorised for issue on 3 March 2014.

# Additional information

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