



DAMAC

DAMAC PROPERTIES DUBAI CO PJSC

Annual Report 2017

PUSHING
BOUNDARIES
ACCOMPLISHING
MILESTONES

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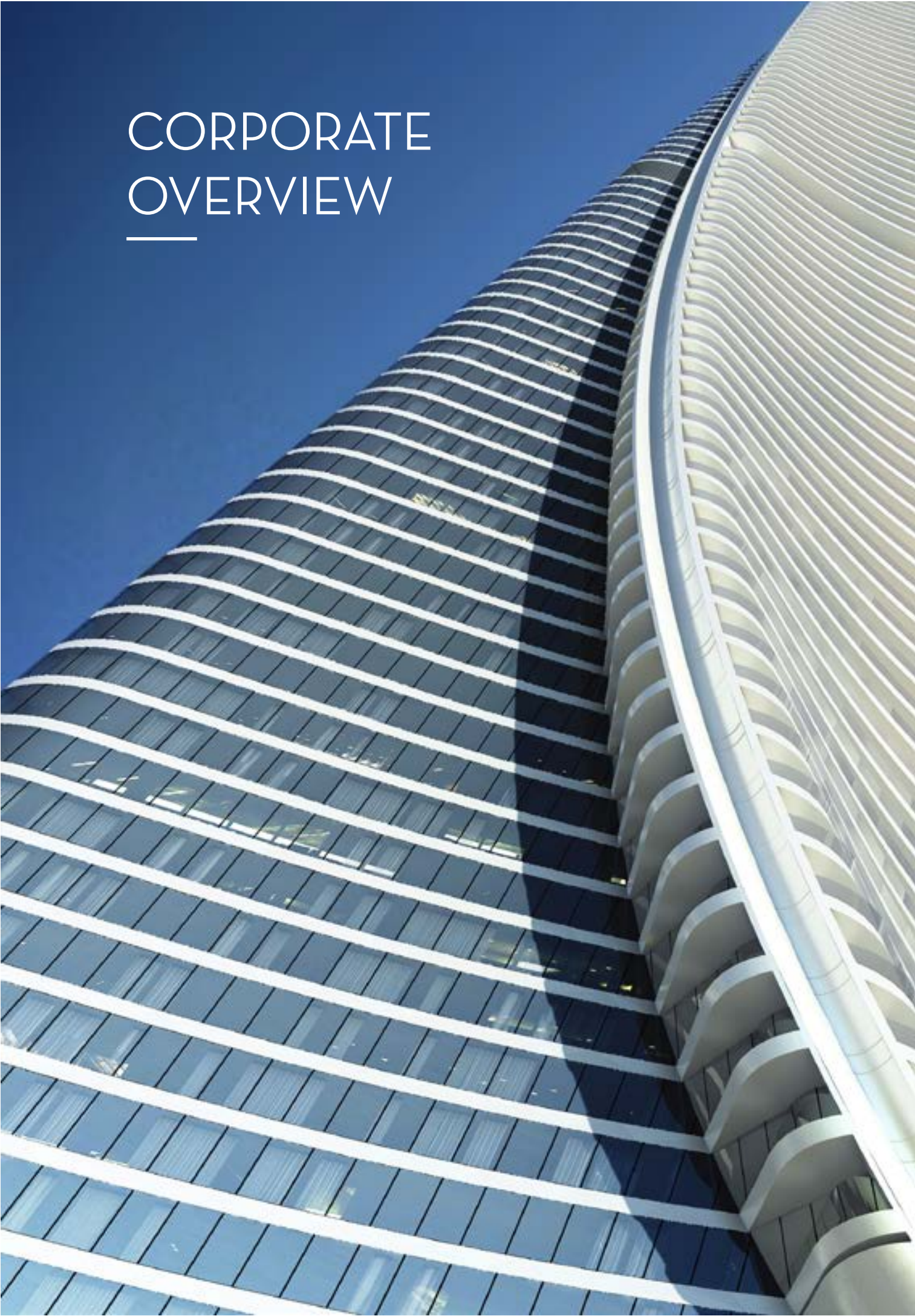
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CORPORATE OVERVIEW





HUSSAIN SAJWANI
CHAIRMAN

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

2017 has been another milestone year for your Company, DAMAC Properties. After a very successful 2015 and 2016, in our two maiden years as a listed Company on the Dubai Financial Market (DFM), we have further established ourselves as a leading real estate developer in the Middle East, with Dubai being our home base, and by far our most important market. After a successful move to the DFM in early 2015, we have strengthened our position as one of the top 10 largest Companies on the exchange. Another testament to our position on the capital markets was our inclusion in the leading MSCI UAE index in June 2017.

2017 was similar to 2016, in that it was another year of breakthroughs in the history of the Company. By the end of the year, we had completed over 3,100 units in our first ever master development, DAMAC Hills (previously AKOYA by DAMAC). We have dramatically transformed 42 million square feet of desert land into a vibrant community in under four years – an achievement of which we are exceptionally pleased. At the same time, we had 27 new launches across Dubai. It was also the year of subsequent launches at our other large-scale projects, AYKON City and AKOYA Oxygen, both in key locations in Dubai. AYKON City is a one-of-a-kind four-million-square-foot

multi-tower development located right on Sheikh Zayed Road and overlooking the Dubai Canal. AKOYA Oxygen is our second master development in Dubailand, which we launched late in 2014, and have sold over AED 12 billion (USD 3.5 billion) in properties there since then. This is another testament to our constant innovation, with the ultimate goal of bringing the right product to the market at the right time.

In terms of our international developments, we continue to make steady progress with the delivery of our first project in Amman, Jordan, in addition to delivering our flagship twin tower project in Riyadh, DAMAC Exclusiva, with one tower by Fendi Casa and the second by Paramount Hotels & Resorts, and achieving close to 50 per cent sale of our London project (AYKON London One). Moving east, we have further strengthened our focus on China over the last two years with our sales partners, 5i5j and Qfang, who together give us a combined network of 70,000 sales agents across various Chinese provinces. We are pleased to note that in 2017, more than four per cent of our booked sales were from Chinese buyers, which was an increase on 2016. 2017 also saw DAMAC working more closely with its agent network both locally and globally, having activated 226 new brokers in 2017. DAMAC conducted 524 roadshows across 107 cities in 42 countries in 2017 alone.

BUSINESS HIGHLIGHTS

During 2017, we achieved over AED 7.5 billion (USD 2 billion) in booked sales, above our guidance for the year. As I mentioned last year, the market has been softer overall, but transaction volumes are healthy and have actually improved versus 2016, while volatility dropped slightly. Over the year, we delivered more than 2,300 units across our various projects, which includes those I mentioned earlier in DAMAC Hills, Amman and Riyadh. Once again, we are pleased with the additional deliveries in our first master development, DAMAC Hills, where we have now handed over more than 3,100 units and have welcomed over 900 families, who now call DAMAC Hills their home.

The Company honoured its commitment to pay a cash dividend of AED 1.5 billion (USD 412 million) for 2016. The Board recommended the same cash dividend payout of AED 1.5 billion (USD 412 million) (AED 0.25 per share) for the 2017 fiscal year (subject to approval of the shareholders in the forthcoming annual general assembly). If approved, the Company will have distributed cash dividends of close to AED 4.5 billion (over USD 1.2 billion) over three years. It is a strategic decision to position ourselves as a high yielding stock for shareholders.

27 NEW LAUNCHES
ACROSS
DUBAI

7.5 BILLION
DIRHAMS
SALES BOOKED

4.5 BILLION DIRHAMS
DIVIDEND OVER
THREE YEARS

1.5 BILLION DIRHAMS
RECOMMENDED
DIVIDEND PAYOUT

MARKET HIGHLIGHTS

As stated earlier, the market has cooled off since its previous peak in 2014, and this is partly because of new regulations in Dubai that were implemented late 2013 to stabilise the market, which included the doubling of registration fees and a revision of mortgage caps. This, combined with macro-economic factors, has brought the market into a more stable and consolidated phase since late 2015. In terms of demand, off-plan sales remain strong, especially in our core areas. However, the challenging market environment creates opportunities for well-capitalised and experienced Companies like ours with a strong 15 year-plus track record, to pick up development opportunities at the right value and the right time. Our healthy results demonstrate that we have adapted to market conditions with successful product launches in the mid-level, higher volume market segment, to cater to evolving market and consumer appetites.

Once again, we would like to reiterate that the current market environment in Dubai is very different to the one we faced in 2008 to 2010. Dubai's real estate ecosystem, which includes the government, its regulators, developers, providers of capital and investors, has evolved a great deal since then. The fundamental drivers that make Dubai an attractive

destination have not changed. Dubai is still widely considered a safe haven with a secure investment environment driven by a robust regulatory framework. It is a hub for tourism and international travel, and the Dubai government is extremely supportive with world-class, well-directed infrastructure programmes. The young and vibrant population, growing at five per cent annually, creates a diversified economy that is clearly outpacing the rest of the region. This set of advantages should continue to drive incremental demand of approximately 20,000 units per year in the medium to long term. Deliveries in recent years have fallen short of this number.

Ultimately, developers who have the capabilities to target healthy pockets of demand, and who can offer a portfolio of diversified products to satisfy it, will fare better. We believe that DAMAC has excelled at adapting to changing market conditions, keeping a strong focus on margins and execution, and uniquely positioning it ahead of the rest in this dynamic real estate market.

OUTLOOK

Looking ahead to the rest of 2018, we anticipate the Dubai market to slowly build on its momentum and continue the positive trends we have started to witness during the latter half of 2016. The price declines

we have seen since 2014 and 2015 in the secondary market seem to have bottomed out and stabilised, while demand for mid-market off-plan sales has clearly increased. We remain cautiously optimistic on our near-term outlook.

I would like to thank the visionary leaders of the UAE, for their leadership and ambitious aspirations that have laid the foundations for success and excellence. Our sincere gratitude also goes to all government bodies and regulators whose relentless support is valued, as well as our stakeholders who contributed to our success over this challenging year. I thank our employees, partners, contractors, suppliers, and our customers for their patronage.

As always, I am grateful to our shareholders for the faith and responsibility they placed in me and my management team.

HUSSAIN SAJWANI
CHAIRMAN



ADIL TAQI
GROUP CHIEF FINANCE OFFICER

GROUP CHIEF FINANCE OFFICER'S MESSAGE

GROUP PERFORMANCE SUMMARY

Despite the challenges our region has faced in 2017, we have demonstrated that we operate a solid, reliable business that is capable of delivering sustainable performance, even in a period of subdued economic activity in general. We achieved an increase in revenue of four per cent year-on-year, to AED 7.4 billion (USD 2 billion), and we have been able to continue to deliver industry-leading profitability, with a gross profit margin of 48.8 per cent, and a net profit of AED 2.7 billion (USD 751 million) at a net profit margin of 37 per cent. The lower profit (gross and net) versus last year was partly due to two international deliveries (in Jordan and Saudi Arabia), which had lower profit margins than our Dubai deliveries.

Booked sales during the year have increased by seven per cent, towards AED 7.5 billion (USD 2 billion) with strong performance in our two master developments, AKOYA Oxygen and DAMAC Hills, as well as our latest multi-tower project overlooking the Dubai Canal, AYKON City. Additionally, our keen focus on execution is demonstrated by the pace of construction across our ongoing projects, having spent close to AED 4 billion (USD 1 billion) on land and construction-related expenses during 2017. We continue to have strong collection momentum with

over AED 4.8 billion (USD 1.3 billion) received during the year, demonstrating the quality of our customer base as well as our customers' faith in our brand, products and the Dubai market overall.

LAND

We continue to practice an opportunistic approach to land acquisitions. Despite not acquiring any additional land during 2017, we have a healthy land bank (with unsold existing and potential inventory) representing circa four years of sales potential. We continually appraise opportunities to refresh the land bank as we build our existing pipeline both in Dubai and internationally. Deferred consideration for land payments as of 31st December 2017 stood at AED 800 million (USD 218 million), scheduled to be paid up to the year 2020.

DEBT

We maintain a prudent stance on leverage reflected in our conservative leverage ratios of gross debt to total assets ratio of 18.8 per cent, and gross debt to equity ratio of 34 per cent as of 31st December 2017. We aim to utilise debt as an effective balance sheet management tool while keeping sufficient headroom to leverage up if an opportunity arises to deploy the proceeds profitably. During 2017, our

gross debt increased to AED 4.7 billion (USD 1.3 billion), and we also issued our new USD 500 million Sukuk (five year duration), and made a partial repayment towards our existing April 2019 Sukuk by the amount of USD 197 million. In line with our prudence, we continue to maintain a net cash position, which stands at AED 2.7 billion (USD 736 million) as of 31st December 2017.

Finance costs stood at AED 273 million (USD 74 million) for 2017. The majority of our debt is fixed interest bearing in nature and our weighted average cost of debt is around 5.4 per cent per annum as of 31st December 2017.

OVERHEADS

General administrative and selling expenses were up 24 per cent in 2017 to AED 1 billion (USD 289 million), mainly due to the increase in sales and sales-related costs, in line with sales activities during the year that lead to higher sales numbers.

FINANCIAL STRENGTH

Our order backlog (sold units but with revenue yet to be recognised) stood at AED 13.2 billion (USD 3.6 billion) as of 31st December 2017. We continue to focus on a disciplined cash management approach. Our cash and bank balance

48.8% **GROSS
PROFIT
MARGIN**

7% **INCREASE
IN BOOKED
SALES**

13.2 **BILLION
OUR ORDER
BACKLOG**

5.9 **BILLION
ESCROW
BALANCES**

Note: Figures refer to 2017 performance

stood at AED 7.5 billion (USD 2 billion) at the end of the year, a decrease of 10 per cent over 2016. The resilient sales and collections performance of our projects has resulted in escrow balances totalling AED 5.9 billion (USD 1.6 billion) as of 31st December 2017. Our free cash balance (non escrow balance) stands at AED 1.5 billion (USD 402 million). The focus on our core business activity is demonstrated by the fact that development properties and cash balances account for 67.5 per cent of our total assets. Total equity grew 10 per cent in 2017 to AED 13.9 billion (USD 3.8

billion), after adjustments for the final 2016 cash dividend payout, fuelled by the net profit of AED 2.8 billion (USD 751 million).

THE YEAR AHEAD

We seek to maintain our emphasis on a focused balance sheet underpinned by high levels of cash and development properties, while retaining a conservative level of debt. While the air of caution still remains at the end of 2017, on the back of positive trends in regional macro-economics and signs of stabilisation in

the Dubai real estate market, we look forward to the rest of 2018 with optimism and conviction in our ability to forge our way through the challenges ahead.

ADIL TAQI
GROUP CHIEF FINANCE OFFICER



Hussain Sajwani ringing the bell during the listing of DAMAC Sukuk at Nasdaq Dubai

ABOUT US

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

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

As of 31st December 2017, DAMAC Properties delivered 20,230 homes, with a development portfolio of over 44,000 units at various stages of planning and progress.

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

As a leading brand in the market, DAMAC Properties has joined forces with some of the most recognisable fashion and lifestyle brands to bring new and exciting living concepts to the market. Projects include a Tiger Woods designed golf course, which will be managed by The Trump Organization, luxury apartments with interiors by Italian fashion-houses Versace and Fendi, and villas

styled by Bugatti and Just Cavalli, along with uniquely conceptualised hotel rooms, apartments and villas in collaboration with Paramount Hotels & Resorts to deliver serviced living at its most opulent.

The Company is developing two of the most anticipated luxury master communities in Dubai – DAMAC Hills, which has delivered over 3,100 homes so far, in addition to AKOYA Oxygen. The two communities boast a combined area of almost 100 million square feet. Each master development features branded living concepts, with Paramount Hotels & Resorts and Fendi amongst the luxury brands at DAMAC Hills, in addition to Bugatti and Just Cavalli styled villas, and several other luxury concepts at AKOYA Oxygen.

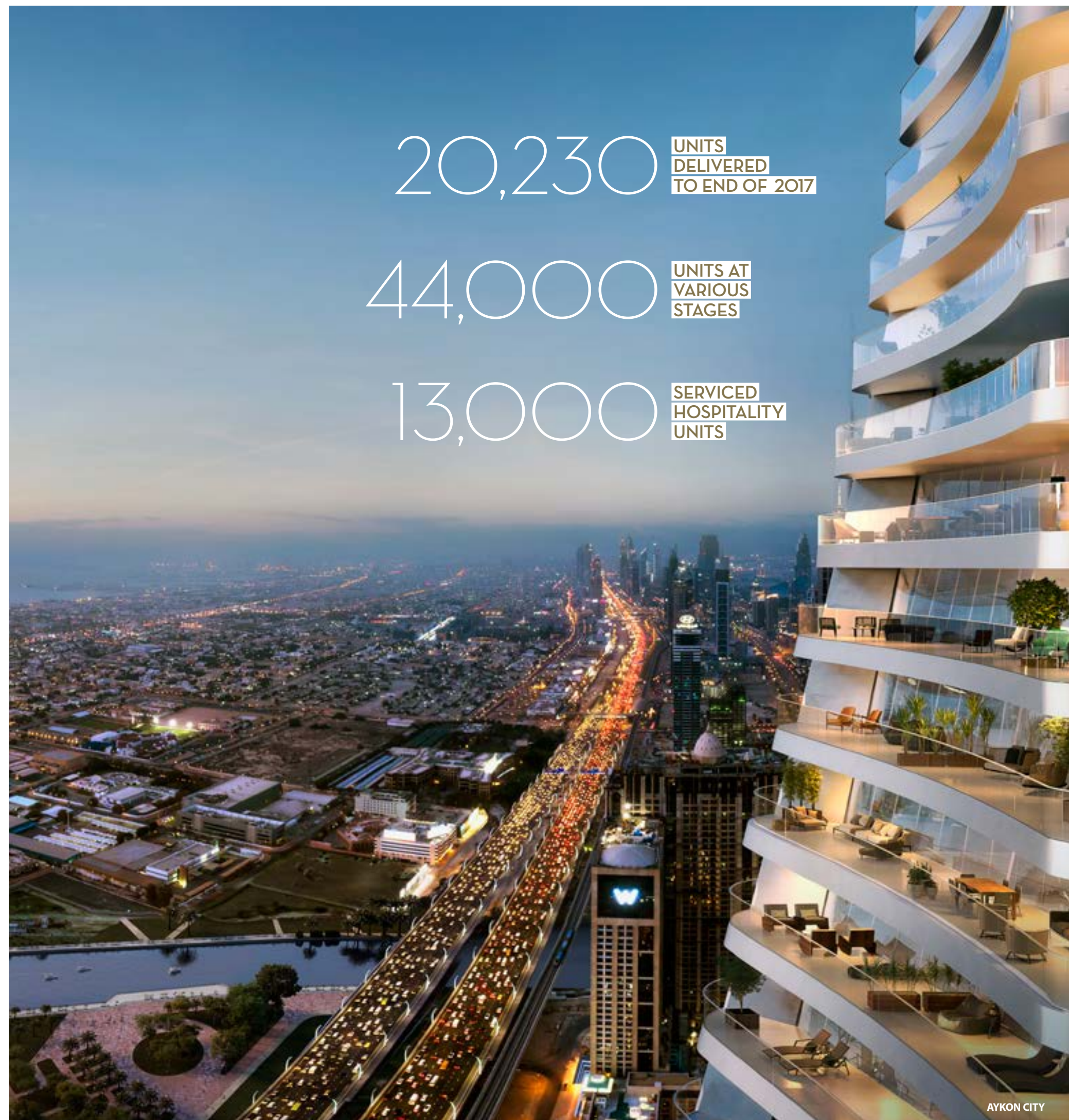
Running through the heart of each development is an 18-hole championship golf course. The Trump International Golf Club Dubai, designed by Gil Hanse and located at the epicentre of DAMAC Hills, has been operational since February 2017. At AKOYA Oxygen, the Trump World Golf Club Dubai is designed by Tiger Woods Design, whereby both courses will be managed by the Trump Organization, offering the highest levels of white glove service.

As a global leader in branded real estate, DAMAC Properties is also developing a AED 4.96 billion (USD 1.35 billion) hotel and luxury serviced residences complex in the Burj area of Dubai called DAMAC Towers by Paramount Hotels & Resorts Dubai. The project is scheduled to commence handover later in the year. Also in the area and handed over in 2017, are two collections of furnished apartments in Bay's Edge and Upper Crest, along with a striking tower comprising luxury hotel apartments at DAMAC Maison Royale The Distinction.

20,230 UNITS
DELIVERED
TO END OF 2017

44,000 UNITS AT
VARIOUS
STAGES

13,000 SERVICED
HOSPITALITY
UNITS





AYKON City is an AED 7.35 billion (USD 2 billion) luxury development located within the 40-million-square-foot Dubai Canal area. The iconic four-million-square-foot development is located on the eastern and western sides of Sheikh Zayed Road, at the Safa Park intersection and in close proximity to Dubai Canal. It will join other distinguished developments in this prestigious area of the city such as BOXPARK, City Walk, the Burj Khalifa, Emirates Towers and the Dubai International Financial Centre district (DIFC). AYKON City is set to become a renowned luxury development with unique features that will attract residents and tourists alike.

DAMAC Properties' hospitality portfolio will continue to grow over the coming years. In 2017, DAMAC Maison Royale The Distinction opened its doors to become

the sixth property in DAMAC's hospitality portfolio in the UAE.

Further afield, through a joint venture with DAMAC International, DAMAC's know-how in luxury real estate development reached one of the most sought-after locations for property – the city of London. AYKON London One will be the latest addition to London's skyline, a 50-storey tower with interiors by Versace Home, which will once again reaffirm the successful collaboration between the iconic Italian fashion brand and DAMAC.

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 Properties is building the next generation of luxury living.

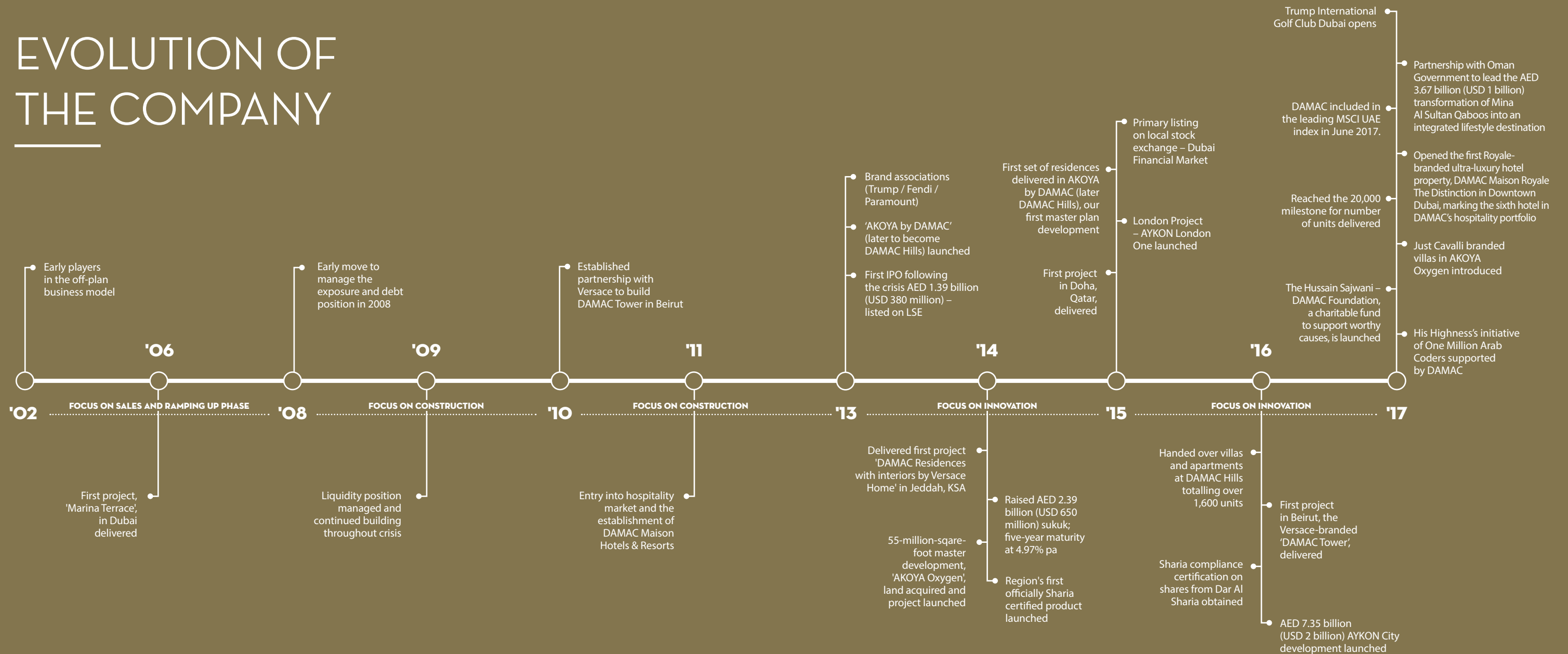


DAMAC Maison Canal Views team receives 'Hotel of the Year' Award at Hospitality Excellence Awards 2017





EVOLUTION OF THE COMPANY



2017 PERFORMANCE HIGHLIGHTS

JANUARY

- Began handover of ultra-exclusive Versace-designed homes, in Solidere, Beirut
- Launch of high-end boutique villas at AKOYA Oxygen and DAMAC Hills

FEBRUARY

- Name change of AKOYA to DAMAC Hills
- Launch of the Investor Relations app that provides real-time financial information, on the go
- DAMAC Properties inaugurates Trump International Golf Club Dubai at DAMAC Hills
- Golfing icon, Tiger Woods, reviews his golf course design at AKOYA Oxygen
- Three DAMAC Maison Hotels, The Vogue, Cour Jardin and Canal Views, win TripAdvisor Certificate of Excellence 2016

MARCH

- DAMAC Properties awards 121 contracts worth AED 1.4 billion in the first two months of 2017
- DAMAC Properties awards contract worth AED 200 million for main works at Merano Tower, Business Bay, Dubai
- DAMAC Properties showcases Fendi Styled Villas at DAMAC Hills
- Launch of Dubai's first modern stone homes – Hajar Villas
- DAMAC Properties' in-house mortgage department facilitates home financing worth AED 600 million

APRIL

- Launch of new residential units at AYKON City overlooking Dubai Canal
- DAMAC Properties awards contract worth AED 58.4 million for main structure works for a cluster of villas at AKOYA Oxygen
- DAMAC Towers by Paramount Hotels & Resorts Dubai over 85% complete
- DAMAC Hills awarded Best Real Estate Project – Master Development
- Launch of new Kenda Villas in AKOYA Oxygen
- The Company achieves outstanding safety milestone with over 180 million safe man hours delivered across all of its Dubai projects
- Hussain Sajwani Top Real Estate CEO in the GCC

MAY

- Launch of Aknan Villas in AKOYA Oxygen
- DAMAC recognises Top Real Estate Brokers – first event in Dubai attended by 250 members of DAMAC's broker network
- Launch of 31-storey luxury Burj DAMAC Seaviews tower in Qatar, with panoramic ocean views
- Launch of Casablanca Villas, fully furnished and serviced luxury boutique villas
- DAMAC Properties awards contract worth AED 40 million for roads and infrastructure works at Vardon cluster in AKOYA Oxygen
- DAMAC Active launched to step up employee engagement: first event in Dubai sees 800 employees participating; focus on camaraderie and team co-operation
- DAMAC Properties rings bell to celebrate listing of AED 1.84 billion (USD 500 million) Sukuk on Nasdaq Dubai
- Launch of Evo Townhomes in AKOYA Oxygen
- DAMAC Properties fosters entrepreneurial talent, facilitating a field trip for 50 postgraduate Kingston University students
- DAMAC enters the MSCI UAE Index, joining the global index of large and mid-cap companies
- DAMAC Properties and ProTenders enter into an e-tendering agreement

JUNE

- Launch of Aurum Villas with one kilogramme of gold guaranteed with the purchase of every villa
- Prominent life coach, Mais Mohammed, hosts Sohour for leading UAE women on Living Better Through Better Life Practices at DAMAC Hills
- DAMAC chosen for AED 3.67 billion (USD1 billion) historic port transformation of Oman's waterfront tourist development of Port Al Sultan Qaboos

JULY

- DAMAC Broker Awards' honours efforts and achievements of the property sales community
- DAMAC Properties announces strategic tie-up with Amlak Finance to offer customers exclusive investment opportunity: 'Double Your Property' allows DAMAC customers to expand real estate portfolio for zero upfront deposit
- DAMAC launches Golf Vita residential towers at DAMAC Hills
- DAMAC Properties opens new Sheikh Zayed Road sales centre to better serve customers – the fourth UAE sales centre, conveniently located in Al Manara providing easy access and improved customer experience
- Former HSBC Head of EMEA and Americas Real Estate, Richard Choi, joins DAMAC International as it seeks new growth opportunities across Europe
- The Trump Estates Park Residences at DAMAC Hills boast park views and promise the finest in luxury lifestyle living

AUGUST

- DAMAC Properties awards AED 628 million (USD 170.88 million) contract for 1,296 villas at AKOYA Oxygen
- DAMAC sees Cityscape Global 2017 as catalyst for sector growth following decision to allow onsite sales
- DAMAC ties up with Roberto Cavalli Group to introduce Just Cavalli, the designer's first luxury branded villas for daring aficionados of fashion, at AKOYA Oxygen
- Nine Elms Property Ltd inks GBP 240 million contract with multiplex to build AYKON London One
- DAMAC Properties draws thousands of walk-in candidates during the first recruitment roadshow event, with over 2,000 candidates interviewed

SEPTEMBER

- DAMAC Properties scoops five awards and two international nominations at the Africa & Arabia Property Awards 2017
- DAMAC Hills and AYKON City are among the award-winning developments recognised for exceptional architecture and design
- DAMAC kicks off Cityscape 2017 with exclusive three-day offers, including a chance to win a luxurious Just Cavalli villa
- DAMAC Properties awards 370 contracts valued at AED 3.5 billion in 2017 so far
- DAMAC Maison Royale The Distinction redefines the luxury hotel apartment experience as it opens its doors to visitors

OCTOBER

- DAMAC Properties ranks first on Forbes Global 2000 List of Fastest Growing Companies worldwide
- Positive response for Just Cavalli Villas with fashion enthusiasts snapping up phase one and eagerly awaiting second release
- Launch of Vera Residences
- Dubai Ruler launches IT education initiative to create One Million Arab Coders – supported by the Hussain Sajwani – DAMAC Foundation
- Launch of Skyview Levels at Golf Vita

NOVEMBER

- Development at DAMAC Properties' AKOYA Oxygen speeds ahead with further road and main works contracts worth over AED 350 million
- DAMAC holds special sales event for range of villas across AKOYA Oxygen
- Launch of The Park Villas at DAMAC Hills

DECEMBER

- DAMAC Properties' Dubai Shopping Festival car promotion returns with a guaranteed Tesla
- DAMAC Maison Canal Views wins 'Hotel of the Year' Award at Hospitality Excellence Awards 2017
- Launch of Sahara Villas at AKOYA Oxygen

STRATEGIC REVIEW



OUR STRATEGY

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

CORPORATE OBJECTIVE

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

CORPORATE VALUES



Do what is right,
not what is easy



Work efficiently
as a team



Make commercial
decisions that create
long-term value



Plans and visions
are inspirational,
but execution is
what matters



Strive to exceed
existing standards

PRIORITY PILLARS

CUSTOMER-CENTRIC APPROACH

01

Our customers are always at the heart of our business. We understand and anticipate their changing needs and integrate valuable customer feedback into our design process. DAMAC Properties is the only developer in Dubai with an in-house sales force of more than 600 people, supported by state-of-the-art Customer Relationship Management (CRM) systems. After carefully defining and targeting worldwide customer segments, we cater to them. In 2017, we conducted 524 events in 42 countries and 107 cities globally.

DELIVER SUPERIOR LIVING EXPERIENCES

02

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

FOCUS ON CAPITAL EFFICIENCY

03

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

MAXIMISE SHAREHOLDER VALUE

04

Our single-minded aim is to build the group's profitability, drive return on equity and maintain an appropriate capital structure, while offering attractive cash returns to all of our shareholders. We achieved strong levels of revenue and profits in 2017, enabling us to distribute cash dividends of AED 1.5 billion, which makes us one of the highest yielding stocks on the Dubai Financial Market (DFM).

EMPLOY AND DEVELOP THE RIGHT TALENT

05

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

OUR CORPORATE SOCIAL RESPONSIBILITY

With an emphasis on philanthropy and corporate social responsibility, the Hussain Sajwani – DAMAC Foundation, a joint initiative created by DAMAC Group and its Chairman, Hussain Sajwani, now supports and sponsors the One Million Arab Coders Initiative. This initiative was launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President and Prime Minister, and Ruler of Dubai, and focuses on creating an empowered society through learning and skills development.



Hussain Sajwani attending the launch of the Initiative in the presence of:

His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, and Ruler of Dubai (third from left)

His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Ruler of Dubai and Chairman of Dubai Media Incorporated (left)

His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai (fourth from left)

His Excellency Mohammad bin Abdulla Al Gergawi, Minister of Cabinet Affairs & The Future, Vice Chairman and Managing Director of Dubai Future Foundation (fifth from left)

OUR VISION

The Hussain Sajwani – DAMAC Foundation aims to help people across the Arab world through its support of the ‘One Million Arab Coders’ Initiative, an education programme that will have tremendous impact on society, by giving one million Arabs the skills and technical expertise needed for the jobs of the future.

THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a home-grown Company, we feel it is important to give back to the community in which we operate, one that has given us so much. The Foundation is keen to help unlock the full potential of the region’s

skills through education and hard work. This is the path the Chairman followed and the path on which he has set his children. By contributing to a sustainable future for the generations to come, he aims to empower the wider community within the Arab region.

DAMAC and Hussain Sajwani in particular, have regularly contributed to philanthropic activities over the years, supporting a range of organisations such as the Emirates Red Crescent, Dubai Cares and Dar Al Ber Society. Philanthropy is a core principle entrenched in the value system of the Sajwani family and their beliefs. Through this initiative, Hussain Sajwani and DAMAC are formalising their efforts in support of His Highness’ vision for a better future.



The signing of the partnership agreement between the Hussain Sajwani – DAMAC Foundation and the Dubai Future Foundation in the presence of His Highness Sheikh Mohammed bin Rashid Al Maktoum



His Highness inaugurates the One Million Arab Coders Initiative

OUR MARKET PLACE

Since its inception, DAMAC Properties has held a leadership position in the top-end, luxury segment of the residential real estate market in Dubai. It has become a household name across the Middle East and around the world, while the brand has become synonymous with luxury and quality at the highest levels. This has earned DAMAC global recognition for the design, architecture and style of its growing portfolio.

DAMAC has a firm foothold in Dubai's luxury segment but has been expanding steadily in recent years to other regional markets, including Qatar, Saudi Arabia, Lebanon, Jordan, Oman, and in 2015, its reach extended to the United Kingdom (via DAMAC International). The Company's expansion continues selectively where it sees further growth opportunities for the brand and where it can achieve high returns for stakeholders. This is also carried out in conjunction with leading brand alliances with the likes of Fendi Casa, Versace Home, Paramount Hotels & Resorts, Just Cavalli and The Trump Organization, among others.

GEOGRAPHICAL FOCUS ON GROWTH MARKETS

DAMAC derives more than 85 per cent of its revenue from projects in Dubai, its home market. The emirate continues to be the most developed real estate market in the

Middle East and provides DAMAC with ample opportunities to realise value for its shareholders. DAMAC continues to see strong global demand for its products from customers in the Indian sub-continent, Africa, Europe and Asia.

Dubai, as a modern metropolitan city, sits at the forefront of the modern world with its global connectivity. More than a third of the world's population is within a four-hour flight from Dubai, while over two thirds is within an eight-hour flight. This strategic 'hub' positioning, combined with world-class facilities and infrastructure like Dubai International Airport, the new Al Maktoum International Airport, Port Rashid and Jebel Ali Port, has contributed to the magnificent growth Dubai has seen over the last few decades. It has become a world-class place to live, work, do business and to visit as a global holiday destination – all of these are instrumental drivers of growth for our Company.

Dubai International Airport (DXB) continues to be the world's busiest airport for international passengers, having accommodated a record 88.2 million passengers in 2017, 5.5 per cent more than 2016. Visitor levels also continue to rise, with a recorded 15.8 million overnight visitors in 2017, a 6.2 per cent increase over 2016.

The Government of Dubai aims to further increase the number of visitors in 2020 to 25 million by the time it will host the much anticipated World Expo. At the same time, the government maintains its strong focus on further improving the quality of the infrastructure by increasing investment in that area in 2017 by a substantial 27 per cent. With growth in tourism and the population, Dubai will continue on its path to become a leading global metropolis. The current Dubai population is over three million as of February 2018 (including permanent and temporary residents, according to the



88.2 million passengers
at Dubai International
Airport in 2017



25 million visitors
anticipated
in 2020



1.6% GDP
growth
in 2017



15.8 million
overnight
tourists in 2017

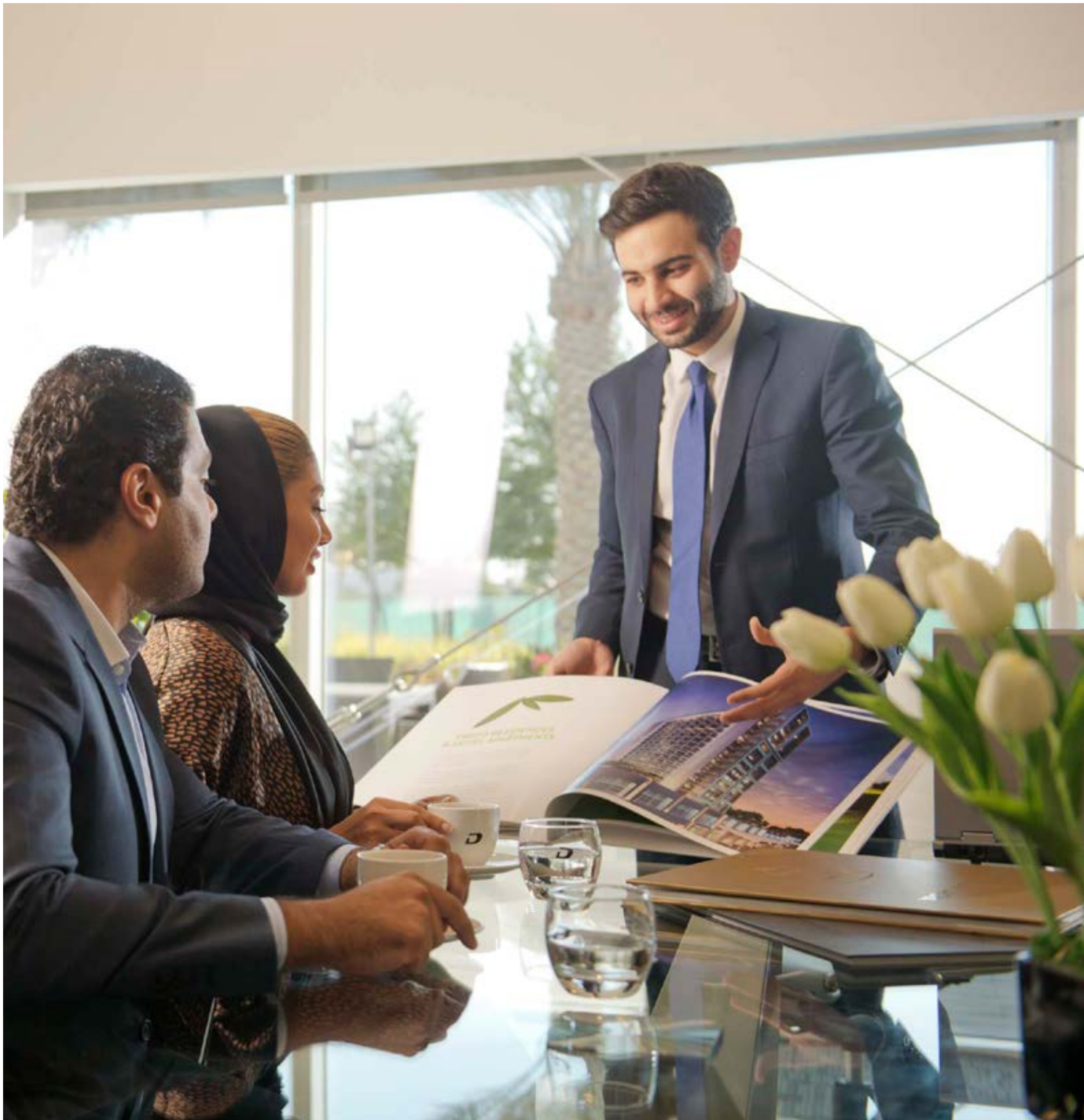


6.2% increase
of overnight
tourists in 2017



3.4% projected growth
increase to UAE
economy in 2018





Dubai Statistics Center) and according to Dubai Municipality, is expected to grow to over 5.2 million in 2030. This continuous and ongoing population growth, and the subsequent rising demand for residential space to rent or to buy, are the pillars upon which our business model and success over the last 15 years are set.

Despite persistent global economic challenges, the economy in Dubai had another year of steady real GDP growth in the region of 1.6 per cent in 2017 and in October 2017, the International Monetary Fund (IMF) projected the UAE economy would grow 3.4 per cent in 2018, while overall GCC growth is poised to rebound to 2.2 per cent. The relatively lower reliance on oil and its related industries, a more diversified economy and supportive business environment, will all benefit Dubai in the years to come.

2017 was another year of further market consolidation and an extension of the trend which started in mid 2014. The Dubai Government played an active role in cooling off what they perceived to be an overheated market during 2013 using the monetary and fiscal tools at their disposal. In late 2013, the Dubai Government implemented more stringent mortgage caps with the aim of preventing further aggressive price increases that had been witnessed in the 2012-2013 period (after the severe 2009-2010 correction). At the same time the property transaction fees to be paid to the government were doubled from two to four per cent. These actions contributed to the development of a more measured, stable and mature market. DAMAC management felt this stabilisation was good for the overall industry from a long-term sustainability perspective.

Global macro-economic challenges, led by the drop in oil prices, have also added a layer of uncertainty for potential real estate investors. However, the second half of 2016 saw a bottoming out of the market with increasing sales volumes and the first signs of price stabilisation – and even increases in some sub-markets. The transactional volumes have clearly picked up in 2017 with an increase in six per cent in transaction values and a 14 per cent increase in transaction volumes over 2016. This trend was in line with DAMAC's previous outlook

for 2017. For 2018, the Company expects that the stabilisation seen over the last 12 to 18 months will continue.

The bedrock of any market remains the fundamental supply / demand dynamic. Dubai's resilient population growth, as described before, is driving estimates of a structural need for over 20,000 new homes every year as the population of permanent residents is growing by nearly five per cent annually. New home deliveries in the past few years have averaged between 12,000 and 14,000 units annually. Today, the structural need for new housing has not been satisfied and Dubai continues to face a shortage of quality housing. It is noted that the high end of the market, especially for older products, seems to be under more pressure than the more 'midmarket segment', which is loosely classified as homes priced between AED 1-2 million. Demand for this type of product has been strong and is driven by end users and not just investors. We see this as a healthy development, which will lead to an even more mature and stable market. With DAMAC's AKOYA Oxygen master development, the Company is well positioned to benefit from this evolving trend.

Dubai's consistent levels of economic activity and structural shortage of quality housing mean that rental yields in Dubai are among the highest in the world, attracting investment demand. These favourable trends are also supported by a regulatory regime that has significantly increased the barriers to entry. Since its creation in 2008, RERA (the Real Estate Regulatory Agency) and the DLD (Dubai Land Department), have turned the Dubai real estate market into one of the most secure and rational markets for real estate investors. Dubai continues to attract investments from other countries that do not always enjoy similar levels of stability and security. DAMAC continues to see the current market situation in Dubai as an excellent opportunity for it to further solidify its position as one of the main developers of high quality real estate in a market with strong long-term fundamentals. The Company expects the dynamics to continue to drive demand for affordable and mid-market units in combination for continued demand for new and differentiated luxury products. We are confident DAMAC has the right product mix for this market for the years to come.

PORTFOLIO FOCUS

DAMAC Properties stands apart from its competitors through its unique collaboration with international brands, bringing the best luxury lifestyle living concepts to its customers. From fashion icons, Fendi Casa, Versace Home and Just Cavalli, to the stylish Paramount Hotels & Resorts, and the finest golf communities with the Trump Organization and Tiger Woods Design, to legendary automotive

brands such as Bugatti, DAMAC Properties has set a new benchmark in the real estate industry.

DAMAC's success is based on its ability to identify current market requirements and develop residential, commercial, hospitality and leisure projects that are in demand, offer excellent return on investment (ROI) and meet today's lifestyle-driven preferences.



Luxury interiors by Fendi Casa



DAMAC Towers by Paramount



Golf side villas at DAMAC Hills



The Trump International Golf Club Dubai



Versace Home interiors at DAMAC Tower, Beirut

DAMAC PROJECTS IN DUBAI

COMPLETED

1. DAMAC Maison de Ville
Downtown Jebel Ali

2. Lake View

3. Lake Terrace

4. The Waves

5. Marina Terrace

6. Ocean Heights

7. Executive Heights

8. Smart Heights

9. XL Tower

10. Business Tower

11. Park Towers
12. DAMAC Maison Mall Street

13. The Residences at Business Central

14. Emirates Gardens I

15. Emirates Gardens II

16. Tuscan Residences

17. The Crescent

18. Lago Vista

19. Park Central

20. Green Park

21. Madison Residences

22. DAMAC Maison The Vogue

23. DAMAC Maison Cour Jardin
24. DAMAC Maison Canal Views

25. DAMAC Maison de Ville Breeze

26. DAMAC Maison de Ville
Miracle Gardens

27. Executive Bay

28. Lakeside

29. Tenora

30. Upper Crest

31. DAMAC Maison Royale
The Distinction

32. Bay's Edge

33. Royal Golf Boutique Villas

IN PROGRESS

34. DAMAC Hills

35. DAMAC Heights

36. DAMAC Towers by Paramount
Hotels & Resorts Dubai

37. Paramount Tower
Hotel & Residences Dubai

38. DAMAC Maison Privé

39. Ghalia

40. Tower 108

41. Celestia

42. AKOYA Oxygen

43. DAMAC Maison Majestine
44. Avanti Tower

45. Merano Tower

46. AYKON City

47. Vera Residences

IN PLANNING

48. Urban Heights

49. Central Square

50. Madison Residences II

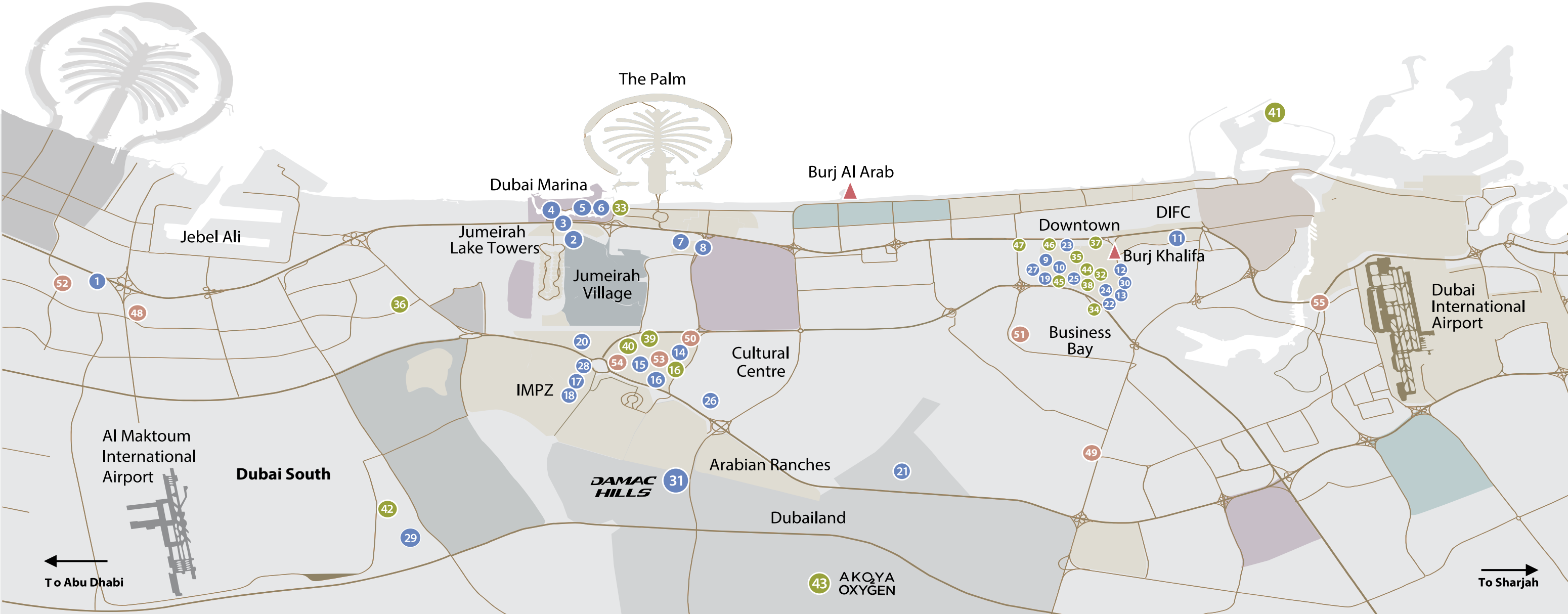
51. Safa Park Plot

52. Meydan

53. Parkside

54. Jumeirah Village Plot I

55. Jumeirah Village Plot II





Golf side villas and apartments
at DAMAC Hills

DAMAC HILLS

***DAMAC
HILLS***

A choice of luxurious lifestyles in a prestigious master development

DAMAC Hills is a luxury lifestyle golf community, located within 15 minutes of the centre of Dubai, off the Umm Suqeim Road. Spanning 42 million square feet, DAMAC Hills is home to a variety of incredible properties, some the result of collaborations with the likes of world-renowned brands such as Fendi Casa, Trump, and Paramount Hotels & Resorts.

Mansions, villas and apartments all have access to world-class retail, dining, entertainment and leisure amenities, along with spectacular outdoor areas including The Park with nearly four million square feet of lush greenery.

DAMAC Hills is also home to the Trump International Golf Club Dubai, the only Trump golf course in the Middle East. It offers an 18-hole, par 71 championship course designed by 2016 Olympic Games course architect, Gil Hanse, one of the most sought-after names in the industry.

The exclusive clubhouse, which began operating in February 2017, features high-end restaurants, a beautiful swimming pool and state-of-the-art fitness centre, as well as a pro shop that stocks the latest golf apparel and accessories.



DAMAC Hills community master plan



The club house at the Trump International Golf Club Dubai

DAMAC HILLS

The contemporary master plan continues to attract worldwide interest for its mix of residential units, comprising over 3,000 luxury villas, 4,300 apartments and around 4,500 hotel rooms, serviced apartments and hotel villas, in addition to its range of high-quality amenities, including international schools, globally-recognised retail brands, leisure and entertainment offerings, the golf

club and a state-of-the-art sports complex.

Over 3,100 units have been delivered at DAMAC Hills so far, including villa clusters and apartments in the low-rise buildings facing the golf course. More than 900 families have already made DAMAC Hills their home, and an international school is now in its second year of operation in the community.



Golf course facing villas at DAMAC Hills



Golf course facing apartments at DAMAC Hills





Rendering of the entrance to the Just Cavalli villa community



Just Cavalli villa at AKOYA Oxygen

AKOYA OXYGEN



The 55-million-square-foot project offers a luxury lifestyle at the heart of nature

Launched in 2014, AKOYA Oxygen is a 55-million-square-foot lush green development in Dubailand, presenting a tranquil community environment as an escape from the city. The whole ethos of the project is based around greenery and seclusion, where energy-efficient homes are surrounded by lush landscaping and cascading water features.

Located off the Umm Suqeim Road and around 10 minutes from DAMAC Hills, AKOYA Oxygen will have an up-market resort feel. The development will include contemporary residential properties of various sizes surrounding an 18-hole championship golf course, along with an organic produce market, hydroponic café, luxury wellness centre, outdoor yoga enclave and retail outlets featuring well-known brands.



AKOYA Oxygen community master plan



AKOYA Oxygen construction development

AKOYA OXYGEN



Golf champion
Tiger Woods

The Trump World Golf Club Dubai, which will run through the heart of the project, is designed by Tiger Woods, one of the most successful golfers in the history of the game.

Vista Lux will be a long promenade offering high-end shopping, dining and entertainment in a beautiful setting,

with 2,000 furnished hotel apartments of varying size, with exceptional views of the development, the lake and the lush fairways of the Trump World Golf Club Dubai. AKOYA Oxygen will also feature a tropical rainforest, a living, breathing ecosystem, housed within a spectacular sky dome.



AKOYA Oxygen construction development



Bespoke interiors at
AKOYA Oxygen villas



Luxury and lifestyle amenities
at AKOYA Oxygen

AYKON CITY

The new architectural icon on Sheikh Zayed Road, overlooking Dubai Canal

AYKON City is a unique concept – an entire city set within the magnificent metropolis of Dubai. The four-million square foot, four-tower development is located on Sheikh Zayed Road, overlooking Dubai Canal and the city's most prestigious business district. Set to become a new architectural icon on Dubai's majestic skyline, this mixed-use development, presents a unique lifestyle concept that combines hotels, luxury hotel apartments, residences and boutique office space, along with wellness, retail, dining and entertainment outlets.

AYKON City comprises Dubai's first AYKON Hotel & Hotel Apartments, the development's tallest tower, at 80 storeys, along with a 65-storey office tower, and a 60-storey apartment tower, with a mix of luxury studios, one, two and three bedroom residences.

The towers are linked by a central podium, AYKON Plaza, which will feature retail, dining and entertainment such as the beach-style club, running track, yoga lawn, spa and children's play area. Total floor area for this project will be 3.2 million square feet.

Its central location off Sheikh Zayed Road, overlooking Dubai Canal, will allow residents and guests to benefit from a wide range of facilities in and around AYKON City, with maximum connectivity and accessibility by car, metro or water taxi.

Since its launch, AYKON City has won numerous prestigious awards, receiving recognition at the Africa & Arabia Property awards hosted in Dubai for "Best Mixed-Use Architecture", "Best Residential High-Rise", and "Best Hotel Architecture" for its AYKON Hotel & Hotel Apartments.

AYKON CITY





DAMAC TOWERS BY PARAMOUNT HOTELS & RESORTS DUBAI



The striking towers overlook the Burj area of Dubai

DAMAC Towers by Paramount Hotels & Resorts comprises four towers stretching 270 metres in height, with a mix of one, two and three bedroom serviced branded apartments. Developed by DAMAC in collaboration with Paramount Hotels & Resorts, the project reflects the glamour of Hollywood and the ambience of the 'California cool lifestyle', synonymous with Paramount Pictures over its 100+ year history.

Three of the towers will comprise around 1,200 luxury hotel apartments, while the fourth will house a Paramount Hotel & Residences. The four buildings are joined by a multi-level plaza.

DAMAC Towers by Paramount Hotels & Resorts will include exclusive access to landscaped gardens and pool areas, numerous health facilities, on-site parking and a variety of high-end dining establishments.

The successful collaboration between DAMAC and Paramount extends across various projects, including Paramount Tower Hotel & Residences, launched in 2015. This mega-project, with an estimated value of AED 3.8 billion (USD 1.3 billion), is strategically located on Sheikh Zayed Road in Dubai.



DAMAC HEIGHTS DAMAC RESIDENZE

DAMAC RESIDENZE
DUBAI MARINA

Interior Design by **FENDI**
CASA

Set in Dubai Marina with stunning views of the Arabian Gulf and Palm Jumeirah

DAMAC Residenza presents the most uniquely located designer residences in Dubai Marina, with panoramic views of the surrounding area, the ocean and Palm Jumeirah. Set on the top floors of the award-winning 84-storey DAMAC Heights tower, investors can choose from a variety of 284 apartments in a selection of arrangements with total built up area of

circa 1.5 million square feet.

The homes at the prestigious DAMAC Residenza are fitted out with the latest furnishings from the Fendi Casa collection to provide the most stylish living experience you could wish for in one of Dubai's most desirable neighbourhoods.



AYKON LONDON ONE

A new London icon

In an exclusive partnership with Versace Home, AYKON London One brings the ultimate in branded living experiences to London.

Rising 50 storeys, the ultra-modern AYKON London One tower will stand out as a new icon on the London city skyline, in the company of some of the city's favourite landmarks. Set on London's South Bank, in the Nine Elms area, the tower boasts a unique and balanced architectural composition, carefully crafted to create impressive views from every aspect. Stone, terracotta and glass come together in a fresh and distinctive world-class design to create an inspiration in luxury living, inside and out.

AYKON London One comprises studios

and one, two and three bedroom units, finished to the highest standards, with special 'winter gardens', offering stunning panoramic views of the city.

The striking tower is nestled in the heart of new London, where a multi-billion pound investment is dramatically transforming the area into a contemporary residential and internationally significant business district, set to become a new centre for arts and culture in the capital.

The area is close to the Vauxhall Cross rail and bus stations as well as the Underground. In addition, the new Northern Line extension and the Crossrail project further enhance its strong transport links with the rest of London.



AYKON

LONDON ONE

interior design by
VERSACE
HOME



Versace Home Interiors

MINA AL SULTAN QABOOS



Mina Al Sultan Qaboos is being redeveloped into an AED 3.67 billion (USD 1 billion) integrated tourist port and lifestyle destination that includes hotels, residences, as well as a dining, retail and leisure offering

The transformation of 'Mina Al Sultan Qaboos' (MASQ) from a busy, historical port to a world-class lifestyle destination aims to revive Oman's historic gateway and bring economic prosperity to the people of Muttrah, an area symbolic of national pride, and one that reflects the deep-rooted culture of the sea-traders who inhabit it.

It is a joint-venture between Omran, the tourism development company mandated by the government to drive investments and economic growth in Oman through tourism development, and DAMAC.

MASQ will be the jewel of Muttrah, a full mixed-use destination that will comprise eight districts, including residential

apartments, hotels, shopping promenades, restaurants, public parks, marinas and other entertainment attractions.

Once completed, MASQ will help transform Muttrah into a financially viable and long-term sustainable community, while creating a flagship tourism destination for Muscat and Oman.



DAMAC HOTELS & RESORTS

DAMAC
Hotels & Resorts

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

The hospitality arm of DAMAC Properties, DAMAC Hotels & Resorts, operates six luxury properties comprising hotel apartments. Ideally located in the heart of Dubai, the properties serve families and business travellers throughout the year. More projects are set to open in 2018, adding an additional 2,484 keys to the existing portfolio of 1,728 units in operation.

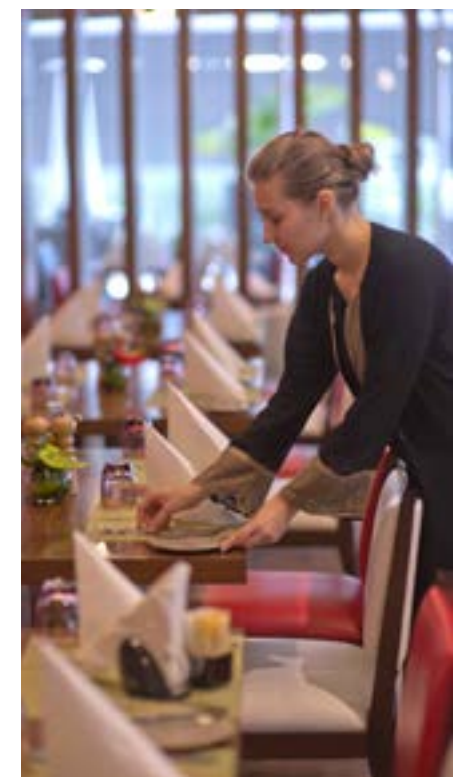
Defined by elegance and style, DAMAC Hotels & Resorts raises the bar for luxury hospitality in Dubai, with two distinct brands, DAMAC Maison Royale and DAMAC Maison. The current operational projects are located in and around Downtown Dubai and Business Bay, with other property openings planned in key areas

of the city. Each property provides the ideal environment for those who would like to live the ultimate Dubai lifestyle with the same comfort and practicality they enjoy at home.

Residents and guests of DAMAC Hotels & Resorts can choose from an indulgent array of treatments and packages at the luxury spas. Each is an oasis of tranquillity offering a variety of treatments beautifully infused with the finest signature products from specialists Kerstin Florian and Rodial. The temperature-controlled swimming pools and state-of-the-art gymnasiums with superior TechnoGym equipment present various ways in which to enjoy an energetic start to the day or to recharge at the end of it.



The lobby at The Distinction
Hotel Apartments



BUSINESS REVIEW



OUR PERFORMANCE OVER THE YEAR

2017 was the year that we further cemented our position as a successful master developer, with the delivery of a milestone 20,000 units, including over 3,100 villas and apartments in DAMAC Hills during the last two years. DAMAC has also delivered two international projects in Jordan and Saudi Arabia. There has been significant progress at its second master community, AKOYA Oxygen, with total sales surpassing AED 12.86 billion (USD 3.5 billion) – another milestone considering that sales for this project only began in September 2014

THE DUBAI REAL ESTATE MARKET

2017 was a challenging year for the Middle East. Nevertheless, Dubai is seen as a safe haven in the region, and we continue to benefit from this. Demand for real estate remains strong and inward investments continue steadily. As stated last year, it is clear that the rapid growth in real estate prices experienced from 2011 to mid-2014 is over, as recent price stability has been a welcome sign for the market. Even more encouraging is the recent uptrend in sales and transaction volumes in the market thanks to continued global interest in Dubai’s real estate market.

In 2017, approximately 17,000-18,000 new units were handed over across Dubai, once again demonstrating that under-supply does in fact exist in the market. As the population grows by four to five per cent each year, the rate of growth still outpaces the change in supply. Dubai would need to add 20,000-25,000 units yearly to its current residential stock of approximately 500,000 freehold units to meet demand, simply based on population growth. Leading real estate brokers unanimously highlight the fact that materialisation rates for Dubai typically run at around 30-50 per cent, a

number that indicates that many announced projects result in either cancellation or delays, which in turn reduces the number of actual handovers each year.

As one of the leading sectors in Dubai, tourism has enjoyed another year of growth with visitors increasing from 14.9 million in 2016 to 15.8 million in 2017, a healthy 6.2 per cent rise. The Dubai Government remains very supportive towards further economic and demographic growth, especially in the lead up to Expo 2020, with major investment in infrastructure and the creation of world-class events that will help support the market and the real estate sector through 2020 and beyond. The government has increased the budget for infrastructure investments by 26 per cent for 2018, demonstrating its ongoing commitment to maintain Dubai’s position in the global economy.

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

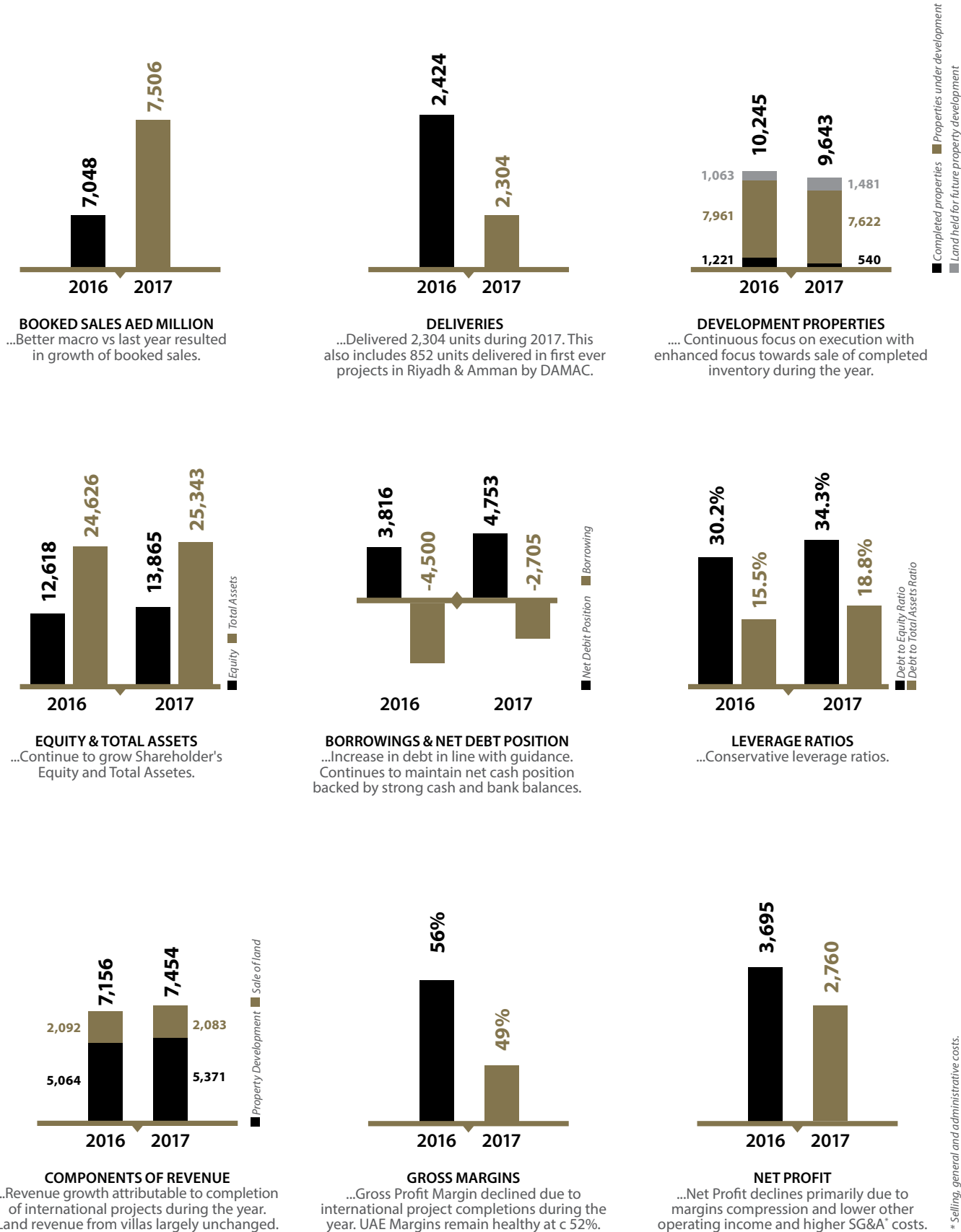
to be an attractive investment destination with strong long-term fundamentals.

OPERATIONAL ACHIEVEMENTS

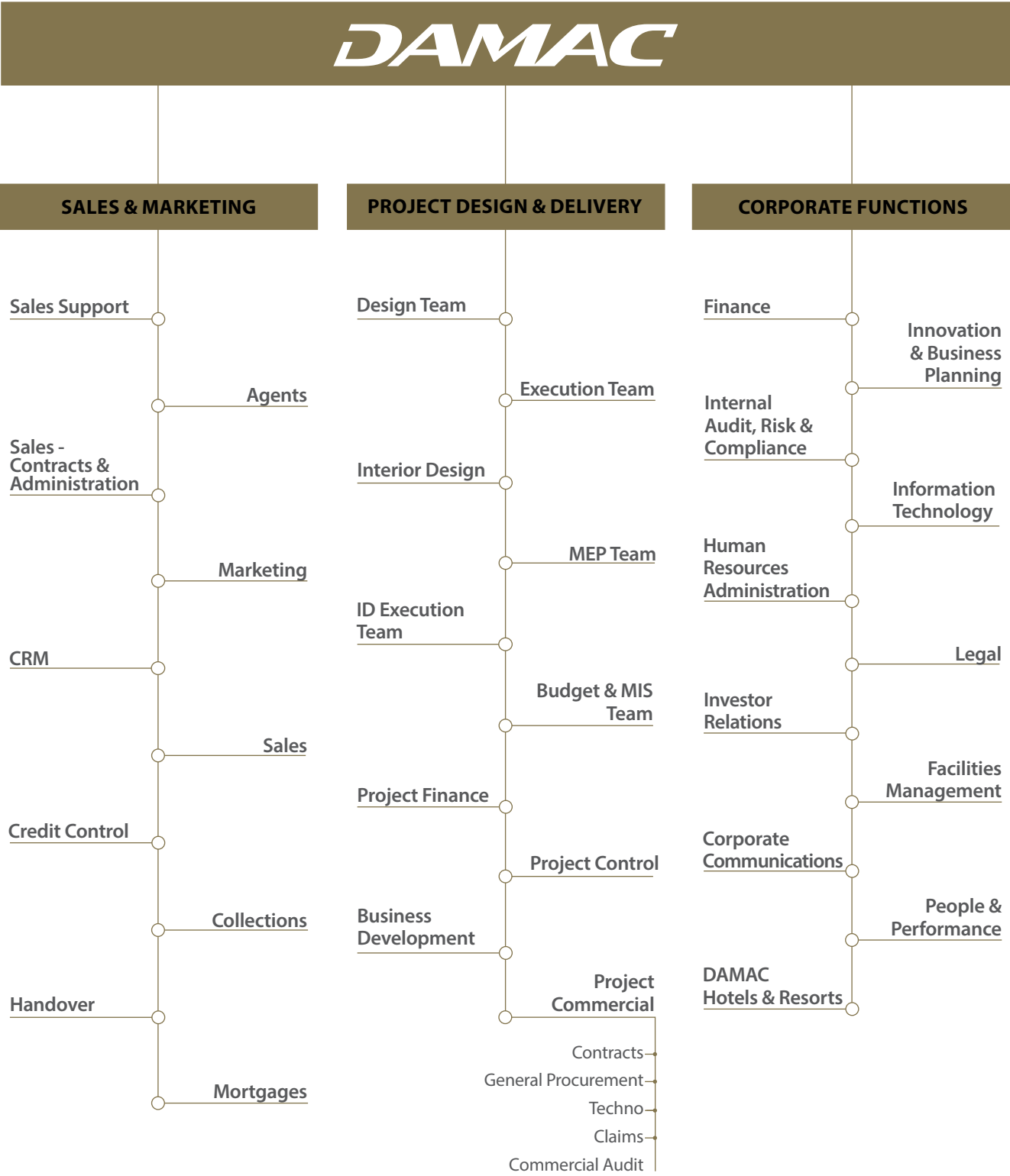
2017 was a year in which DAMAC further cemented its position as a successful master developer, with the delivery of more than 1,100 villas and apartments so far in DAMAC Hills, its 42-million-square-foot master development.

We also delivered our first project in Amman, Jordan (The Heights), and our third in Saudi Arabia (DAMAC Esclusiva) with a total of 854 units. For the full year 2017, we delivered more than 2,300 units.

As of 31st December 2017, we achieved more than AED 7.5 billion (USD 2 billion) worth of booked sales which is an increase of seven per cent over the previous year. We invested further in our own sales force while at simultaneously re-enforcing our relationships with existing and new brokers to drive further sales.



DAMAC'S PEOPLE AND ORGANISATIONAL DIVISIONS



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

CUSTOMER ENGAGEMENT MANAGEMENT

It is no secret that post-oil economic changes have affected the way that large scale organisations throughout the GCC do business. With increasing pressures to cut operating costs, reduce FTEs (full time equivalents) and improve the efficiency of our core business offerings, in order to maintain a competitive advantage and healthy bottom line growth, the option to robotise repetitive, transactional tasks – thereby freeing up valuable human resources who can be redeployed to more value-adding roles within the organisation – is fast becoming a popular strategy across the region.

DAMAC has a clear cost-down strategy to our operation processing. Over the last few years, the Company successfully reduced costs while simultaneously increasing customer service, controls and staff engagement on an annual basis. As such, digital transformation has been core to DAMAC's operational strategy for years, and the rise of Robotic Process Automation (RPA) processes are the new tools to add to what we have already. Today, DAMAC has become one of the early adopters of cognitive machine learning solutions and has implemented RPA across core areas, including Finance, Sales, Agents, Hospitality and IT.

DAMAC continues to evolve its customer engagement practices to drive high level engagement and satisfaction at every touch point. Its adoption of advanced customer engagement management (CEM) solutions improves the end-to-end customer experience across every step of

the property purchase cycle. This provides DAMAC with superior service advantages through effective customer life cycle management, supported by a world class CRM team and Salesforce integration across the Company's Information Technology systems.

SALES

With over 600 sales professionals, DAMAC is transforming its sales function from an inbound model to an outbound one, supported by 12 global sales centres and a digitally-driven global marketing campaign that enables DAMAC to expand its sales outreach extensively while providing a high return on marketing investments. DAMAC has also excelled in expanding sales through global roadshows and events, having conducted 524 events in 42 countries and across 107 cities in 2017 alone, and is expected to double this number in 2018. DAMAC's 360-degree approach to sales is helping the Company to leverage its resources effectively between direct and indirect sales while balancing between off-plan growth opportunities with revenue from ready properties.

AGENTS

2017 also marks the year DAMAC has strategically moved to an indirect sales model, relying more heavily than ever on its global network of more than 2,476 agents worldwide. DAMAC added 226 new agents to its network last year, and is expecting to double this number in 2018. Thanks to Salesforce integration, DAMAC is able to empower its agents with dedicated technology tools to enable them to promote, sell and book properties

directly by using a dedicated portal and mobile application. This has helped the Company to forge stronger relationships with its agent network who are engaged as a partner rather than just a supplier.

MARKETING

DAMAC's marketing effort continues to become more and more performance driven, as the Company expands its online presence and reach through better use of technology and innovation. To align with its outbound sales model, DAMAC's in-house marketing capability has been bolstered by a stronger web development and digital performance team, in addition to extending its social reach to audiences and customers across multiple social networks. DAMAC continues to maintain strong visibility and direct presence with powerful outdoor advertising in key locations and ever-popular tourist areas of Dubai, including Dubai International Airport, several of Dubai's busiest shopping malls, as well as other prime tourist hotspots throughout the city. In addition to its global roadshow and digital marketing efforts, the Company maintains a strong social media presence, which provides access to our core audience while they are in their home countries. DAMAC's Facebook page now includes more than 655,000 fans and is supported by LinkedIn, Twitter, Instagram and YouTube. Contacts and potential leads are driven to the Company website – www.damacproperties.com – which saw 4.3 million visitors in 2017, an increase of almost 200 per cent over the year the before.

SALES CONTRACT AND ADMINISTRATION

Our Sales Administration department

is transforming to leverage better use of technology, using state-of-the-art information systems with full Salesforce integration to improve the customer experience and drive efficiency. Legacy pre-sale issues such as multiple bookings, inventory management and allocation, as well as post-sale procedures, have been streamlined through automation which results in better business performance.

CREDIT CONTROL

Credit control has also improved business efficiency through automation, ensuring that simple but important tasks such as collection monitoring, invoicing and payment management is conducted in a timely manner.

PROJECT MANAGEMENT

The 500-strong project management team continues to maintain the smooth development of the Company's projects. This includes the full procurement process, working with contractors and sub-contractors on staffing and supply

lines to ensure a smooth flow of delivery. Project management is also utilising the advanced IT infrastructure to improve collaboration across all key departments and has seen a significant increase on project management efficiency.

The use of advanced building information modelling (BIM) solutions enable intelligent 3D model-based processes that give the team the insight and tools to more efficiently plan, design, construct, and manage buildings and infrastructure.

FINANCE

DAMAC's finance team has benefited greatly from best of breed technology, including Robotic Process Automation (RPA) to improve speed and efficiency to transform core operations through innovation. RPA has improved the speed and accuracy of core business processes by replicating user actions to reduce or eliminate human intervention in mundane, repetitive, and manually intensive processes. By automating these manual processes, DAMAC has improved efficiency and accuracy, and

raised the department's productivity by using RPA to complete tasks 24/7.

INNOVATION & BUSINESS PLANNING

The business planning team is continuously striving to improve the performance benchmark of the Company through effective analysis and strategic forward planning. This encompasses a 360-view of the business, from sourcing land to ongoing market expansion. The team has an unrivalled understanding of the market conditions and is involved across a spectrum of business functions in the organisation.

As part of the launch into the RPA domain, the innovation and business planning department looked at various tools and technologies as well as successful implementations in other firms and realised that the top down approach has seldom been successful. As such, DAMAC has taken a different track, and instead of focusing on 'doing automation to operations teams', we were focusing on 'doing it *with* the teams'. This is in line with Lean methodology where you always seek to create production floor

'pull' rather than management 'push'. We have seen tremendous support from the 'floor' and virtual workers are used to augment human capabilities and free people up to do higher value work. We have been growing from a 5 Virtual Workers farm to 15 Virtual Workers Farm within a year time due to unmanageable demand for higher efficiency, minimised costs, and greater security. Today, our bots are built with the capabilities from account reconciliation to audit transactions, from online leads posting to data migration.

HUMAN RESOURCES

DAMAC's human resource and talent acquisition department future-proofs the Company's growth by identifying and securing the right talent that will see it continue to thrive in the years to come. The department continues to recruit talent from our around the world with the aid of professional recruitment firms as well as as its in-house team of talent acquisition professionals who use LinkedIn and other online tools to find the best talent out there. Additionally, the HR team is constantly looking to improve the employee experience and production output of staff through continuous training, skills optimisation and new skills development.

PEOPLE AND PERFORMANCE

The People and Performance function has pioneered the ongoing development of a performance-driven culture, driving countless training and development programmes throughout the year to train, up-skill and motivate employees, through educational and entertainment engagements. The function has been paramount to the development of areas such as compensation and performance management, employee relations and engagement, organisational development, and learning and development.

INFORMATION TECHNOLOGY

DAMAC's IT department has spearheaded the Company's technology transformation, overseeing the deployment of a number of critical solutions that have helped the Company become an innovation leader in its sector. The IT department has led



the deployment and integration of RPA, Salesforce, created advanced, interactive community portals for customers, CRM tools for sales teams, agents, mobile applications to increase mobile workforce productivity, and the deployment of the Company's 3-D building information modelling (BIM) solution.

LEGAL

DAMAC's legal team provides the overarching cover for the Company to do business safely. The team is continuously assessing the changing legal framework, at home and overseas where we operate, to ensure that the Company, its shareholders and customers are protected. The legal team is also responsible for overseeing the Company's obligations to the Dubai Financial Market for filing and disclosure.

CORPORATE COMMUNICATIONS

DAMAC's corporate communications function is constantly building awareness and visibility for DAMAC's successes in the region and globally, while positioning it as a world-class property developer among its audiences around the world. Aside from acting as the media relations arm of the Company, the corporate communications team is raising DAMAC's global voice at global engagement platforms such as the World Economic Forum. Closer to home, the team is overseeing the Company's corporate social responsibility initiative, which includes driving pan-Arab awareness

and the adoption of the One Million Arab Coders Initiative. Launched in partnership with Dubai Future Foundation, the initiative will have a historical impact on the region, by enabling one million Arabs to receive free online training on software programming, or coding.

Corporate communications also works closely with DAMAC's brand partners, including Versace Home, Fendi Casa, Paramount Hotels & Resorts, The Trump Organization, Bugatti and Tiger Woods Design.

INVESTOR RELATIONS

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

FACILITIES MANAGEMENT

DAMAC Properties' own Luxury Facilities Management (LFM) and Luxury Owner Association Management Services (LOAMS) ensure the smooth and seamless operations of the day-to-day functions at every DAMAC building / community.

From communications and Community Rules to interfacing with real estate



authorities and ensuring the highest service levels, the teams play a vital role at every stage in post-sale customer satisfaction.

LFM is certified as ISO compliant to the following standards:

- Quality Management System (ISO 9001: 2008)
- Environmental Management System (ISO 14001: 2004)
- Occupational Health & Safety Management System (OHSAS 18001: 2007)



LOAMS is certified as ISO compliant to the following standard:

- Quality Management System (ISO 9001: 2008)



These standards are certified by the British Standard Institution (BSI) Middle East and Africa.

MORTGAGES

The Mortgages department is one-stop-shop founded in 2014 with the primary

responsibility of providing support for existing and new customers. By evaluating customers' current financial profiles and advising them on suitable mortgage products that fulfill their financial needs, financing can be arranged for either for the purchase of a new property or the re-financing on an existing portfolio. The department works with local and international banks to provide this facility. The team also facilitates the processing of transactions for customers with Dubai Land Department. In addition, the team effectively partners with banks to run digital campaigns and joint events to promote the latest real estate projects and available financing solutions with instant approvals.

COMPLIANCE

The Compliance role is to ensure and oversee regulatory compliance with the Commercial Companies Law, Corporate Governance Regulations and Listing & Disclosure Rules issued by relevant regulatory authorities. It reviews and evaluates compliance issues / concerns within the organisation. It ensures that the Board of Directors, management and employees are in compliance with the rules and regulations and that the Company policies and procedures are being followed. The Compliance Officer assists the Audit Committee to implement all necessary actions to maintain a high standard of Corporate Governance best practices with the aim of protecting the interests of all stakeholders.

INTERNAL AUDIT

DAMAC's Internal Audit department is responsible for the independent assessment of the risk, governance and internal control processes within the organisation and works to add value to it by helping to improve systems and processes. The Head of Internal Audit reports to the Chairman of Audit Compliance & Risk Committee of the Board, which comprises Independent Directors.

DAMAC HOTELS & RESORTS

DAMAC Hotels & Resorts is the hospitality arm of DAMAC Properties. The parent division successfully distinguishes itself in the competitive Dubai hospitality market with two separate brands, each designed to deliver experiences complementary to the lifestyles, preferences, values, and aspirations of the guests for whom they are designed.

The Company's hotel apartment properties today include DAMAC Maison Mall Street, DAMAC Maison Cour Jardin, DAMAC Maison Canal Views, DAMAC Maison The Vogue and DAMAC Maison Royale The Distinction. Its team of experienced hoteliers provide all the requirements of an up-market hotel from concierge, front of house, cleaning, and maintenance, through to F&B and spa services.

DAMAC

Hotels & Resorts

DAMAC
MAISON ROYALE

DAMAC
MAISON





RISK MANAGEMENT

Risk management is an integral part of DAMAC's business culture whether at a strategic or operational level; and supports DAMAC's business objectives and leads to value creation and preservation.

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

With the continuing efforts of the Board,

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

1. MARKET RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
The majority of DAMAC's projects are located in Dubai, which can result in concentration risks.	<div><div>➤ Dubai is an attractive real estate investment location for buyers from around the world. Historically, Dubai's economy has a much lesser dependence on oil than the surrounding countries. Dubai's government has said that the infrastructure spending will rise 46.5 per cent in 2018 as the emirate prepares for construction projects related to Expo 2020, representing 21 per cent of total expenditure in 2018. Real estate yields in Dubai are relatively high versus other major capital cities in the world, attracting a strong amount of interest and funds.</div><div>➤ Dubai's regulator and its regulatory policies aim to promote and maintain a healthy real estate market over the longer term, reducing speculation, and safeguarding both developers and buyers.</div><div>➤ At DAMAC, we continuously explore new territories and geographies which are customer-led, and we have the ability to leverage our existing platform. We entered the British real estate market in 2015 through a joint venture, and we have calculated plans for several other markets.</div></div>
DAMAC's business is dependent on the wealth of domestic and international property purchasers and investors. This can lead to sales and related risks.	<div><div>➤ A growing population, an influx of expatriates, a sustained GDP growth and rising employment levels create structural demand for housing in Dubai. The emirate's completed housing supply has increased at less than three per cent per annum over the last three years ending 2017 as opposed to population growth estimates of five per cent in the same period. The total freehold Dubai housing stock is estimated to be around 500K units as at the end of 2017.</div><div>➤ High rental yields, as compared to the rest of the world, continue to attract investment-led demand (6-10 per cent).</div><div>➤ We have a strong in-house sales force of over 600 people who are exclusively selling DAMAC products, in addition, we also maintain an extensive broker network and have access to a significant customer database, which we have built over our 16 years. We host frequent sales events and roadshows in various cities and countries across the world to attract buyers to the Dubai real estate market. In 2017, we conducted 524 events in 42 countries and across 107 cities.</div></div>
Political instability in the Middle East, and the impact of lower oil prices have heightened social, economic and geo-political risks.	<div><div>➤ Dubai is seen locally as a safe haven for individuals from the rest of the Gulf and other Middle Eastern countries, but also, increasingly as an alternative dollar-denominated jurisdiction for wealthy, high-net worth families and their investments from around the world.</div><div>➤ Dubai is more politically stable than its Gulf peers. His Highness Sheikh Mohammed bin Rashid Al Maktoum recently completed 10 years as Ruler of Dubai. Under his visionary leadership, Dubai has transformed itself on a global landscape and has grown in popularity as a leading business, residential and travel hub.</div></div>
Real estate is an attractive industry and may attract competition from existing and new players.	<div><div>➤ Real estate in Dubai is highly regulated with relatively high barriers to entry for new developers.</div><div>➤ DAMAC has built its brand and delivered over 20,000 units over the past 15 years. It is one of the trusted real estate brands in the UAE. Our industry-leading margins are attributable to our efficient project execution.</div><div>➤ We welcome competition as it keeps the market healthy and gives buyers choice to make an informed decision among various available alternatives.</div></div>

NATURE OF RISK	HOW WE MANAGE THE RISK
Expansion into new markets can be challenging due to a lack of familiarity with culture and the economic condition of new markets.	<div><div>➤ Outside the UAE, DAMAC has already completed and delivered projects in Jordan, Lebanon, Saudi Arabia and Qatar. The latter two are our two primary markets outside of the UAE, which meet DAMAC's criteria of structural potential demand for luxury products.</div><div>➤ In London, DAMAC is exploring market opportunities as a minority partner through a joint venture entity that is undertaking the AYKON London One project.</div></div>
The inability to replenish the land bank threatens growth.	<div><div>➤ DAMAC carefully and continuously evaluates its land bank portfolio. Prudent land purchases are undertaken to replenish the depleting land inventory at freehold locations and at reasonable prices to ensure financial viability of the project. We are currently sitting on approximately four years of land bank inventory.</div><div>➤ The government owns the vast majority of the land in Dubai, and sales of land are one of the major sources of revenue for it. Since our IPO in 2013, we have acquired land from various government owned entities for over AED 3.675 billion (USD 1 billion). This has put us in an excellent position for further land acquisitions.</div><div>➤ The management is dynamic and adjusts to the market environment to create products in line with prevalent demand conditions.</div></div>



2. PROJECT RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
Execution risk can result in projects under development to be delayed, suspended or terminated.	<ul style="list-style-type: none"> ➤ DAMAC's management ensures the Company complies with all development regulations, meets customer expectations, and maintains the quality of its developments. ➤ We engage world-class contractors and sub-contractors with demonstrated ability to execute, and we continuously monitor their progress to abide by project timelines and delivery schedules. ➤ Financially, we aim to cash de-risk a project through sufficient off-plan sales and cash collections as early as possible in its lifecycle. This helps to avoid any funding constraints during development of the project.
The Company had no prior experience as a master developer. DAMAC Hills is the first lifestyle community development by DAMAC. The project spans over 42 million square feet. AKOYA Oxygen is our second master community and spans over 55 million square feet.	<ul style="list-style-type: none"> ➤ Execution progress at DAMAC Hills is on track as planned. Many project milestones have been met within the set deadlines. The project was released for off-plan sales in June 2013, and over 3,100 villas and apartments have been completed, and handed over, to the respective buyers. DAMAC Hills has become a vibrant community within five years of acquiring the land. ➤ Our progress and experience in DAMAC Hills encouraged us to seek another 55 million square feet of land to develop AKOYA Oxygen. We launched this master development for off-plan sales in August 2014, less than a month from its acquisition date, which reflects our efficiency and in-house capability. Since then, we have sold properties there worth over AED 12.86 billion (USD 3.5 billion).
DAMAC depends on third party contractors and sub-contracts to deliver its projects.	<ul style="list-style-type: none"> ➤ Contractors are thoroughly screened before and during the engagement process. ➤ DAMAC's in-house technical team of 500 people oversee all contractors to ensure timely delivery. ➤ Contractors' operation and working practices are supervised and monitored regularly by senior management. ➤ Agreements with contractors enable us to retain 5-15 per cent of the 'work done amount', which is held for one year after the completion of a project until the Defect Liability Period (DLP) has passed.
Brand associations – DAMAC has launched various co-branded residences across projects. Inability to maintain relationships might impact the project.	<ul style="list-style-type: none"> ➤ DAMAC has launched several co-branded residential units with various global luxury brands such as Versace Home, Just Cavalli and Fendi Casa; DAMAC is not dependent on any single brand. ➤ Branded units constitute a small percentage of the overall DAMAC project pipeline where our focus is clearly on further enhancing the profile of the DAMAC brand.

3. FINANCIAL & LIQUIDITY RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
Credit risk – DAMAC mainly follows an off-plan sales approach; risk of customer default is high.	<ul style="list-style-type: none"> ➤ Collection of instalment payments from purchasers, on average 20 per cent of unit value, results in significant upfront payment and minimises risk of default. DAMAC maintains a very prudent and stringent approach to this, and it is a cornerstone of our overall strategy. ➤ A large and diversified customer base results in low concentration of credit risk. Dubai regulations allow developers to retain a significant portion of consideration in the event of default by customers.
Leverage – excessive use of debt and inability to service debt commitments.	<ul style="list-style-type: none"> ➤ DAMAC intends to use debt to maintain an efficient capital structure. Debt is utilised to fund land acquisition and other corporate purposes. The majority of debt currently on our balance sheet is due for repayment in April 2019 and 2022, both a listed Sukuk instrument traded on Nasdaq Dubai. ➤ We have always maintained a net cash position since 31st December 2012. As of 31st December 2017, we have gross debt of AED 4.75 billion and cash and bank balance of AED 7.5 billion. Our free available cash is AED 1.5 billion.
Foreign exchange risk – foreign exchange fluctuations pose a risk in a volatile exchange rate environment.	<ul style="list-style-type: none"> ➤ The Company has some projects in other Middle Eastern countries apart from the UAE but the majority of the Company's revenues, costs and capital expenditure are either priced, incurred, payable or otherwise measured in AED, which is USD-pegged.
Cash flow constraints – insufficient cash to fund project development.	<ul style="list-style-type: none"> ➤ DAMAC complies with all development regulations, including escrow rules. The construction components of the developments are mainly funded by customer advances. ➤ Management periodically reviews cash flow and commitments for each project on its individuality and totality basis. It seeks to cash de-risk a project / phase from a construction cost perspective before launching a new phase / project. ➤ Management also forecasts cash flows and uses debt to bridge the timing gap and to meet working capital requirements.
Inability to pay deferred consideration for land payments and other contractual commitments.	<ul style="list-style-type: none"> ➤ The majority of the DAMAC land bank is fully paid. Most of the deferred consideration for land payment is towards the lifestyle communities under development. ➤ Currently we are running ahead of our agreed payment schedule as we have released more land than initially planned to cater to our sales velocity and requirements. ➤ Contractual commitments are structured whereby exits are negotiated at comfortable / manageable levels.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

DAMAC's Board has almost 200 years of expertise and knowledge in international luxury real estate development. In addition to know-how in the property development sphere, the Board comprises distinguished professionals drawn from a broad spectrum of industries, including construction and building materials, investments, banking and financial services, insurance, retail, manufacturing, operations and F&B. Its members have built on their rich, cumulative experience, gained across numerous geographies, to lead DAMAC into a position of strength in the property development arena, add value, and represent the interests of shareholders.

EXECUTIVE MEMBERS



Mr Hussain Sajwani
CHAIRMAN



Mr Adil Taqi
GROUP CHIEF FINANCE OFFICER
AND EXECUTIVE MEMBER

NON-EXECUTIVE MEMBERS



Mr Farooq
Arjomand
VICE CHAIRMAN
AND NON-EXECUTIVE
INDEPENDENT MEMBER



Professor
John Wright
NON-EXECUTIVE
INDEPENDENT MEMBER



Mr Nabil
Alyousuf
NON-EXECUTIVE
INDEPENDENT MEMBER



Mr Yahya
Nooruddin
NON-EXECUTIVE
INDEPENDENT MEMBER



Mr Sofyan
Al Khatib
NON-EXECUTIVE
NON-INDEPENDENT
MEMBER



CORPORATE GOVERNANCE

DAMAC acknowledges the importance of good governance and follows corporate governance best practices in compliance with the Resolution No 7 / RM of 2016 Concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies ('Corporate Governance Code') issued by the Securities and Commodities Authority ('SCA').



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

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

- 1. Audit, Compliance & Risk Committee ('ACR Committee')
- 2. Nomination & Remuneration Committee ('N&R Committee')

In addition to the above committee(s), the Board is assisted by external and internal auditors, and the Company officials, including the Group Chief Finance Officer, Compliance Officer, Risk Officer and other members of the management.

During 2017, the following meetings took place:

- The Board – **04 meetings**
- Audit Risk & Compliance Committee – **05 meetings**
- Nomination & Remuneration Committee – **01 meeting**

The Board held meetings at least once every three months in the year 2017. The Board meetings had majority attendance by members' participation.

The agendas of the Board meetings included forward-looking strategic issues with a balance of performance reporting review, approval of policies required for the Company's operations and strategic

decisions. The Board monitored the integrity of the financial statements and any formal announcements relating to the Company's performance, and reviewed any significant financial judgements contained in them. Board discussions were supported by relevant and focused papers distributed well in advance of the meetings.

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

BOARD CONSTITUTION AND PROCEDURES

The Board comprises seven members, of which six are Non-Executive Directors and one is an Executive Director:

NAME	BOARD POSITION
Mr Hussain Sajwani	Chairman
Mr Farooq Arjomand	Vice Chairman & Non-Executive Independent Member
Mr Adil Taqi	Group Chief Finance Officer & Executive Member
Prof John Wright	Non-Executive Independent Member
Mr. Nabil Alyousuf	Non-Executive Independent Member
Mr Yahya Nooruddin	Non-Executive Independent Member
Mr Sofyan Al Khatib	Non-Executive Independent Member

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

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

AUDIT, COMPLIANCE & RISK COMMITTEE

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

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

An internal audit function provides independent, objective assurance over the complete control framework that reports to the Chairman of the ACR Committee. The Head of Internal Audit also has direct access to all executive members, and in particular, the Chairman.

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

SN	NAME	ROLE	CAPACITY
1.	Mr John Wright	Chairman	Non-Executive / Independent Director
2.	Mr Farooq Arjomand	Member	Non-Executive / Independent Director
3.	Mr Yahya Nooruddin	Member	Non-Executive / Independent Director

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

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

to duly fulfill its duties. The Committee shall hold a meeting with the Company's external auditor at least once per annum;

- h. Consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the Compliance Officer, the Risk Officer or the external auditor;
- i. Review the Company's financial control, internal control and risk management systems;
- j. Lay down the scope of and review the findings and suggestions of the Compliance Officer and suggest appropriate corrective measures to the management of the Company;
- k. Lay down the scope of and review the findings and suggestions of the Risk Officer and suggest appropriate corrective measures to the management of the Company;
- l. Discuss the overall internal control system with management and make sure that it fulfills its duty to develop an effective internal control system;
- m. Consider findings of main investigations into internal control issues to be assigned thereto by the Board or at the initiative of the Committee upon the approval of the Board;
- n. Ensure co-ordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body;
- o. Review the Company's financial and accounting policies and procedures;

p. Review the mission and action plan of the external auditor and any material inquiries raised by the auditor to the management in respect of accounting records, financial accounts or control systems, respond thereto and approve them if required;

- q. Make sure that the Board responds on a timely basis to enquiries and material issues raised in the external auditor's mission;
- r. Develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations;
- s. Oversee the scope of the Company's compliance with its code of conduct and conflict of interest by the Board members and management of the Company;
- t. Ensure application of the rules of operation in connection with their duties and powers assigned thereto by the Board;
- u. Make a report to the Board on the issues set in this clause;
- v. Consider any other issues as the Board may determine.

The ACR Committee met five times during the year 2017, and the minutes of the meetings were recorded and approved. The Chairman of the ACR Committee periodically presents its report on the outcome of the ACR Committee to the subsequent Board meeting held after each ACR Committee meeting and provides recommendations on periodic financials and other matters.

NOMINATION & REMUNERATION COMMITTEE

The Board of Directors has constituted a committee of the Board known as the Nomination & Remuneration Committee (N&R Committee). The N&R Committee comprises the following Board Members; it met once during 2017:

SN	NAME	ROLE	CAPACITY
1.	Mr Farooq Arjomand	Chairman	Non-Executive / Independent Director
2.	Mr Nabil Alyousuf	Member	Non-Executive / Independent Director
3.	Mr Yahya Nooruddin	Member	Non-Executive / Independent Director

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

- a. Verification of the ongoing independence of Independent Board Members;
- b. Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to Board members and employees of the Company and the committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance;
- c. Determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection;

- d. Formulation, supervision of application and annual review of the Company's human resources and training policy;
- e. Organisation and follow-up of the procedures of nomination to the membership of the Board in line with applicable laws and regulations;
- f. To develop a policy for nomination for Board membership aimed at observing diversity of genders in the Board formation and encouraging females to nominate for the Board membership of the Company;
- g. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary to the Board for approval;

INTERNAL CONTROL

The Board of Directors acknowledges that it is responsible to the shareholders for creating and delivering sustainable value through the management of the businesses, hence the Board of Directors has an overall responsibility for ensuring that executive management designs and implements an effective internal control system, which provides assurance of effective and efficient operations, accurate financial reporting and compliance with applicable laws and regulations.

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



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing the financial statements the Directors are required to:

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

Approved by the Board of Directors and agreed on behalf of the Board on 10th February 2016.



Mr HUSSAIN SAJWANI
CHAIRMAN



Mr ADIL TAQI
GROUP CHIEF FINANCE OFFICER

SHAREHOLDER INFORMATION

A. UPCOMING ANNUAL GENERAL MEETING OF DAMAC PROPERTIES DUBAI CO PJSC

Date	TBD
Venue	TBD
Time	TBD

B. TICKER AND CODES OF DAMAC PROPERTIES DUBAI CO PJSC

DAMAC equity shares are listed on Dubai Financial Market (DFM). As on 31st December 2017, DAMAC has 6,050 million authorised, issued and fully paid shares of AED 1 each.

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

DAMAC Sukuk certificates are listed on Nasdaq Dubai and the Irish Stock Exchange under the name of Alpha Star Holding Limited & Alpha Star Holding III Limited.

Nasdaq Dubai Codes	DAMACR419USD & DAMACR422USD
Irish Stock Exchange SEDOL	BLD35Z2 & BZ0VVR8

C. DIVIDENDS HISTORY OF DAMAC PROPERTIES DUBAI CO PJSC (SINCE LISTING)

Period	Cash dividend %	Cash dividend per share (AED)	Bonus shares %
CY2014	NIL	NIL	10.00%
H1 2015	10.00%	0.10	10.00%
H2 2015	15.00%	0.15	NIL
CY2016	25.00%	0.25	NIL
CY2017*	TBD	TBD	TBD

* A cash dividend of AED 0.25 per share for the year ended 31st December 2017 was proposed by the Board of Directors on 13th February 2018, which is subject to approval by the shareholders at the next General Meeting.

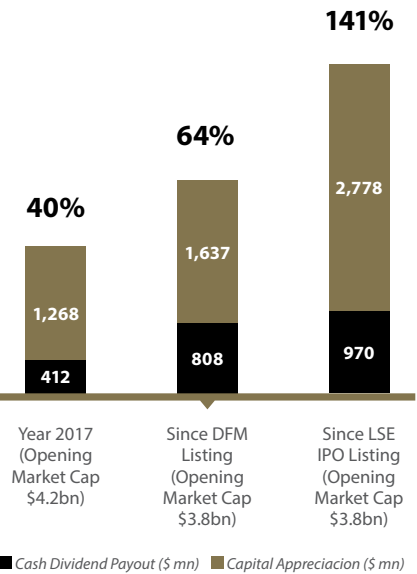
For unclaimed dividends please visit our website (www.damacproperties.com) or write to us at: investor.relations@damacgroup.com. Please mention your name, dividend for the period you are enquiring about and quote your National Investor Number (NIN) as per DFM records.

D. SHAREHOLDING DETAILS OF DAMAC PROPERTIES DUBAI CO PJSC



■ Public shareholders 27.78% ■ Majority shareholders 72.22%

E. TOTAL SHAREHOLDERS' RETURN



CONSOLIDATED FINANCIAL STATEMENTS

DAMAC Properties Dubai Co PJSC

DAMAC PROPERTIES DUBAI CO PJSC

DUBAI - UNITED ARAB EMIRATES

Reports and consolidated financial statements for the year ended 31 December 2017

DIRECTORS' REPORT

The Board of Directors has the pleasure in submitting their report together with the audited consolidated financial statements of DAMAC Properties Dubai Co PJSC (the “Company”) and its subsidiaries (together the “Group”) for the financial year ended 31 December 2017. Profit for the year is AED 2,759.8 million (2016: AED 3,694.6 million).

PRINCIPAL ACTIVITIES

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

The movement in retained earnings is as follows:

	AED'000	AED'000
Balance at 1 January 2017		5,933,864
Profit for the year		
• Revenue	7,454,350	
• Cost of sales	(3,820,120)	
• Income from deposits and other income	488,065	
• Expenses	(1,362,518)	
Total		2,759,777
Transfer to statutory reserve		(168,117)
Cash dividend (note 31)		(1,512,500)
Balance at 31 December 2017		7,013,024

On behalf of the Board of Directors



CHAIRMAN

INDEPENDENT AUDITOR’S REPORT

THE SHAREHOLDERS DAMAC PROPERTIES DUBAI CO PJSC DUBAI – UNITED ARAB EMIRATES

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of DAMAC Properties Dubai Co PJSC (the “Company”) and its subsidiaries (together the “Group”) which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing

(ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group’s consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of development properties	
Development properties, which principally comprise the Group’s land held for development, projects under development and completed units, are stated at the lower of cost and net realisable value (ie: the forecast selling price less the remaining costs to build and sell, which is in line with the fair value as at the reporting date). An assessment of the fair value of the development properties is carried out at each reporting date by an external valuation firm.	<i>Experience of Valuer and relevance of their work</i> We confirmed that the approaches used in the external valuation were consistent with RICS. We assessed the Valuer’s competence and capabilities and read their terms of engagement with the Group.
The valuation of the Group’s development properties is the key component of the net asset value and underpins the Group’s results for the year. The Group’s development properties portfolio is not uniform in nature, and therefore a number of different assumptions are made by the Group’s external valuers in determining its fair value.	<i>Data provided to the Valuer</i> We sample tested data provided to the Valuer by the Group. This data included cost incurred to date, cost to complete, historical sales prices, outstanding receivables to be collected and information relating to unsold inventories.
The valuation of development property is inherently subjective. The valuer has used a comparable valuation approach for land and completed units and a residual approach for projects under development to arrive at the net realisable value of the development properties portfolio held by the Group at the reporting date.	<i>Assumptions and estimates used by the Valuer</i> We involved our internal real estate valuation specialists to review the valuations reports for selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of impairment loss.
The valuations were carried out by third party valuers (the “Valuer”). They were engaged by the Directors, in accordance with the RICS Valuation – Professional Standards (“RICS”).	
The fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement warrants specific audit focus on this area.	Where we identified estimates and assumptions that are outside the typical ranges used, we discussed these with the Valuer to understand rationale. Based on the outcome of our evaluation we assessed the adequacy of disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Revenue recognition	
<p>The Group has early adopted International Financial Reporting Standard 15: ‘Revenue from contracts with customers’ (IFRS 15) with effect from 1 January 2015.</p> <p>The Group recognises revenue both at a point in time and over a period of time depending on the nature of the contract and the relevant laws and regulations of the jurisdiction in which it has entered the contract with its customers.</p> <p>Revenue recognition on sale of properties, including villas, apartments, commercial units and plots of land, involves significant risks due to the judgment and estimation involved. Audit of judgments around percentage of completion of projects including the costs incurred to date against the total cost of the project and the successful completion of the project in the absence of sale of all units under development was an item requiring significant audit attention in particular consideration of:</p> <ul style="list-style-type: none">▶ ability of the Group to enforce payment for work completed under the terms of its contract thereby meeting the IFRS 15 criteria for revenue recognition over time;▶ total expected cost of completion of the real estate development;▶ likelihood of collection of the remaining sales consideration.	<p>In responding to this area of focus our procedures included the following:</p> <p>Assessment of controls over the revenue recognition assessment and calculations. We tested the design and operating effectiveness of relevant controls which included;</p> <ul style="list-style-type: none">▶ budgeting process of the Group to assess the robustness of the budgets with specific focus on the expected total cost to complete the real estate developments; and▶ review and approval process around the preparation of percentage of completion calculations. <p>In addition, we also performed the following substantive audit procedures for a sample of contracts:</p> <ul style="list-style-type: none">▶ verified that the Group has correctly recognised revenue as per the terms of the contracts and the relevant jurisdiction that the project is in;▶ recalculated the revenue and compared it with the calculation performed by the management;▶ reviewed and challenged the basis of estimation used by management for assessing the total cost to complete for the respective real estate projects are reasonable; and▶ tested the disclosure included within the consolidated financial statements and ensured it meets the disclosure requirements of IFRS 15.

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Group. We obtained the Directors’ report prior to the date of this auditor’s report, and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor’s report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

Other information (continued)

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

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

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

Responsibilities of the management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Audit, Compliance and Risk Committee are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Group's Audit, Compliance & Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

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

- i. we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No (2) of 2015;
- iii. the Group has maintained proper books of account;
- iv. the financial information included in the Directors' report is consistent with the Group's books of account;
- v. note 11 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2017;
- vi. note 18 reflects the disclosures relating to material related party transactions and the terms under which they were conducted; and
- vii. based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017.

DELOITTE & TOUCHE (ME)

Musa Ramahi
Partner
Registration No 872
Dubai, United Arab Emirates

13 February, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DAMAC PROPERTIES DUBAI CO PJSC

AS AT 31 DECEMBER 2017

	Notes	2017 AED'000	2016 AED'000
ASSETS			
Property and equipment	6	150,452	58,742
Investment properties	7	197,021	-
Development properties	8	9,643,051	10,245,064
Other financial assets	9	1,024,757	1,016,628
Trade and other receivables	10	6,607,212	4,804,278
Financial investment	11	262,673	185,022
Cash and bank balances	12	7,458,330	8,316,048
Total assets		25,343,496	24,625,782
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,050,000	6,050,000
Statutory reserve	3.15	802,313	634,196
Retained earnings		7,013,024	5,933,864
Total equity		13,865,337	12,618,060
Liabilities			
Bank borrowings	14	815,421	1,162,636
Sukuk certificates	15	3,937,529	2,653,598
Advances from customers	16	3,274,496	4,196,801
Trade and other payables	17	3,450,713	3,994,687
Total liabilities		11,478,159	12,007,722
Total equity and liabilities		25,343,496	24,625,782



HUSSAIN SAJWANI
CHAIRMAN



DIRECTOR

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

DAMAC PROPERTIES DUBAI CO PJSC

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 AED'000	2016 AED'000
Revenue	19	7,454,350	7,156,182
Cost of sales		(3,820,120)	(3,159,129)
Gross profit		3,634,230	3,997,053
Other operating income	20	290,583	594,149
General, administrative and selling expenses	21	(1,063,498)	(859,419)
Depreciation		(26,364)	(15,265)
Operating profit		2,834,951	3,716,518
Other income	22	56,310	44,814
Finance income	23	141,172	115,878
Finance costs	24	(272,656)	(182,563)
Profit for the year		2,759,777	3,694,647
Other comprehensive income for the year		-	-
Total comprehensive income		2,759,777	3,694,647

Earnings per share

Basic and diluted (AED)	30	0.46	0.61
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The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DAMAC PROPERTIES DUBAI CO PJSC

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Statutory reserve	Group restructuring reserve	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2016	6,050,000	533,643	(4,912,810)	8,160,080	9,830,913
Transfer	-	-	4,912,810	(4,912,810)	-
Total comprehensive income for the year	-	-	-	3,694,647	3,694,647
Transfer to statutory reserve	-	100,553	-	(100,553)	-
Dividend (note 31)	-	-	-	(907,500)	(907,500)
Balance at 31 December 2016	6,050,000	634,196	-	5,933,864	12,618,060
Total comprehensive income for the year	-	-	-	2,759,777	2,759,777
Transfer to statutory reserve	-	168,117	-	(168,117)	-
Dividend (note 31)	-	-	-	(1,512,500)	(1,512,500)
Balance at 31 December 2017	6,050,000	802,313	-	7,013,024	13,865,337

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

CONSOLIDATED STATEMENT OF CASH FLOWS

DAMAC PROPERTIES DUBAI CO PJSC

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 AED'000	2016 AED'000
Cash flows from operating activities		
Profit for the year	2,759,777	3,694,647
Adjustments for:		
Depreciation of property and equipment and investment properties	26,364	15,265
Provision for employees' end-of-service indemnity (note 17)	18,664	11,043
Amortisation of issue costs on sukuk certificates (note 15)	11,393	5,659
Loss/(gain) on disposal of property and equipment	226	(58)
Gain on disposal of a subsidiary (note 22)	(3,469)	-
Reversal of impairment on trade receivables (note 21)	(22,308)	(44,712)
Finance costs (note 24)	272,656	182,563
Finance income (note 23)	(141,172)	(115,878)
Operating cash flows before changes in operating assets and liabilities	2,922,131	3,748,529
Increase in trade and other receivables	(1,767,848)	(965,199)
Decrease/(increase) in development properties	296,100	(1,101,294)
Decrease in trade and other payables	(565,661)	(329,907)
Decrease in advances from customers	(922,305)	(1,336,420)
Employees' end-of-service indemnity paid (note 17)	(8,725)	(6,690)
Net cash (used in)/generated from operating activities	(46,308)	9,019
Cash flows from investing activities		
Purchases of property and equipment (note 6)	(20,684)	(10,152)
Proceeds from disposal of property and equipment	335	78
Acquisition of financial investment (note 11)	(77,651)	(38,022)
Net cash received on disposal of a subsidiary	14,410	-
Increase in other financial assets	(8,129)	(227,973)
Increase in deposits with original maturity of greater than three months	(290,471)	(224,401)
Interest received	128,394	124,943
Net cash used in investing activities	(253,796)	(375,527)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

DAMAC PROPERTIES DUBAI CO PJSC

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	AED'000	AED'000
Cash flows from financing activities		
Proceeds from bank borrowings during the year (note 14)	495,200	794,474
Repayment of bank borrowings during the year (note 14)	(905,502)	(473,184)
Proceeds from issuance of sukuk certificates – net (note 15)	2,274,897	-
Redemption and repurchase of sukuk certificates (note 15)	(1,002,359)	(91,777)
Dividend paid (note 31)	(1,512,500)	(907,500)
Finance costs paid	(260,908)	(181,064)
Net cash used in financing activities	(911,172)	(859,051)
Net decrease in cash and cash equivalents during the year	(1,211,276)	(1,225,559)
Cash and cash equivalents at the beginning of the year (note 12)	7,087,943	8,313,502
Cash and cash equivalents at the end of the year (note 12)	5,876,667	7,087,943

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DAMAC PROPERTIES DUBAI CO PJSC

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

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

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

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

2. Application of new and revised International Financial Reporting Standards (“IFRSs”)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 *Statement of Cash Flows* that require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group has applied these amendments for the first time in the current year. The Group’s liabilities arising from financing activities consist of bank borrowings (note 14), sukuk certificates (note 15) and certain other financial liabilities (note 17). A reconciliation between the opening and closing balances of these items is provided in the respective notes. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in aforementioned notes, the application of these amendments has had no impact on the Group’s consolidated financial statements.

- Annual improvements to IFRS 2014-2016 cycle covering amendments to IFRS 12 *Disclosure of interests in other entities*.

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

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

NEW AND REVISED IFRSs

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investment in Associates and Joint Ventures*.

EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER

1 January 2018

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

NEW AND REVISED IFRSs	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
<ul style="list-style-type: none"> there is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary. 	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	
Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.	

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

NEW AND REVISED IFRSs	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) (continued)	1 January 2018
<ul style="list-style-type: none"> Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Derecognition: The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. 	
Impact assessment of IFRS 9 Financial Instruments Based on an analysis of the Group's consolidated financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:	
Classification and measurement: All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.	
Impairment: Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9.	
The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and unbilled receivables as required or permitted by IFRS 9. In relation to the trade and other receivables (note 10), the directors have assessed that there has not been a significant increase in the credit risk of the trade and other receivables from initial recognition to 31 December 2017. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.	
In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will not result in earlier recognition of credit losses for trade and other receivables and will not increase the amount of loss allowance recognised for these items.	
Amendments to IFRS 9 <i>Financial Instruments</i> : Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)
- 2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

NEW AND REVISED IFRSs	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none">► Whether tax treatments should be considered collectively;► Assumptions for taxation authorities' examinations;► The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and► The effect of changes in facts and circumstances.	1 January 2019
<p>IFRS 16 <i>Leases</i></p> <p>IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p> <p>Impact assessment of IFRS 16 <i>Leases</i></p> <p>As at 31 December 2017, the Group has non-cancellable operating lease commitments of AED 248 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.</p> <p>In cases where the Group is a lessor (for both operating and finance leases), the Directors of the Group do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.</p>	1 January 2019
<p>Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i>: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>	1 January 2019

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)
- 2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

NEW AND REVISED IFRSs	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
<p>Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3 <i>Business Combinations</i>, IFRS 11 <i>Joint Arrangements</i>, IAS 12 <i>Income Taxes</i> and IAS 23 <i>Borrowing Costs</i>.</p> <p>Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.</p> <p>IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.</p> <p>IFRS 17 <i>Insurance Contracts</i>.</p> <p>Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.</p>	<p>1 January 2019</p> <p>When IFRS 9 is first applied</p> <p>When IFRS 9 is first applied</p> <p>1 January 2021</p> <p>Effective date deferred indefinitely. Adoption is still permitted.</p>
<p>Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.</p> <p>Management anticipates that IFRS 9 and IFRS 16 will be adopted in the Group's consolidated financial statements for the annual periods beginning 1 January 2018 and 1 January 2019 respectively.</p>	

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

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

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and the applicable requirements of the laws in the UAE.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. *Significant accounting policies (continued)*

3.2 Basis of preparation

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

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value at the end of each reporting period. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

3.3 Basis of consolidation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. *Significant accounting policies (continued)*

3.3 *Basis of consolidation (continued)*

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

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

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

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

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

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

Changes in the Group’s ownership interest in existing subsidiaries

Changes in the Group’s ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

* the holding company includes 81 subsidiaries, the results of which are consolidated in DRED.

3.4 Revenue recognition

Revenue from contracts with customers

Revenue is measured at fair value of the consideration received or receivable.

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

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

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

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

The Group has elected to apply the input method. The Group considers that the use of input method, which requires revenue recognition on the basis of the Group’s efforts to the satisfaction of the performance obligation, provides the best reference to revenue actually earned. In applying the input method the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

Revenue from contracts with customers (continued)

In cases where the Group determines the performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is subject of the contract is transferred to the customer.

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

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

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

Property 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.

Income from deposits

Income from deposits is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Income from deposits is accrued on a timely basis, by reference to the principal outstanding and at the effective profit or interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Leasing income

The Group’s policy for recognition of revenue from operating leases is described under Leases (note 3.11).

3.5 Investment properties

Investment properties are properties held to earn rentals and / or for capital appreciation (including investment property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses in accordance with the cost model of IAS 40 *Investment property*.

Depreciation is charged so as to write-off the cost of completed investment properties on a straight line basis over the average estimated useful life of 25 years. The useful life and depreciation method of investment properties are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these properties.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Significant accounting policies (continued)

3.5 Investment properties (continued)

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. Such transfers are made at the carrying value of the properties at the date of transfer.

3.6 Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. These are stated at the lower of cost and net realisable value.

Cost principally includes the cost of the land, infrastructure costs and construction cost and all other costs which are necessary to get the properties ready for sale.

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

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

3.7 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is the purchase consideration together with any incidental costs of acquisition. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

	Years
Building	25
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

3.7 Property and equipment (continued)

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

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

3.8 Impairment of tangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

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

3.9 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.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

3.9 Provisions (continued)

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

3.10 Provision for employees’ end-of-service benefits

The Group provides end-of-service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees’ final salary and length of service, subject to the completion of a minimum service period as stipulated in the Labour Laws of the respective countries of operations. The expected costs of these benefits are accrued over the period of employment. Pension and national insurance contributions for the UAE Nationals are made by the Group in accordance with Federal Law No 7 of 1999 (as amended).

3.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as a lessee

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

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

3.12 Foreign currencies

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

Exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Significant accounting policies (continued)

3.13 Financial instruments

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

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

Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

AFS financial assest are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

The Group’s investments in shares are classified as being available-for-sale and are carried at cost less any identified impairment losses at the end of each reporting period.

AFS equity instruments that do not have an active market and whose fair value cannot be reliably measured are carried at cost less any identified impairment losses at the end of each reporting period.

Effective interest method

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

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets carried at cost, the amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

If an available-for-sale financial asset is impaired, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

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

Financial liabilities

Other financial liabilities include bank borrowings, Sukuk certificates and trade and other payables (excluding provision for employees' end-of-service indemnity). These are subsequently measured at amortised cost applying the effective interest method.

Derecognition of financial liabilities

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

3.14 Taxation

There is no income tax applicable to the Group operations in the 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. Where applicable, provision is made for current and deferred taxes arising from the operating results of overseas subsidiaries that are operating in taxable jurisdictions in accordance with relevant tax regulations in respective countries in which the Group operates. Expense on the statement of profit or loss and other comprehensive income is the expected tax payable on the current year taxable income using prevailing rates at reporting date, and any adjustments to the tax payable in respect of prior years.

3.15 Statutory reserve

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

3.16 Cash and cash equivalents

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

3.17 Segment reporting

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

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical judgments in applying accounting policies

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

Classification of properties

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

Financial investment

Financial investment represents the Group's 20% equity interest in a related entity (note 11). Management has assessed the impact of IAS 28 *Investments in Associates and Joint Ventures* and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

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

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

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Critical judgments in applying accounting policies (continued)

Determination of transaction prices

In the process of determining transaction prices in respect of its contracts with customers, the Group assesses impact of any variable consideration in the contract due to discounts, penalties, the existence of any significant financing component or any non-cash consideration. In determining the impact of variable consideration the Group uses the most likely amount method under IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

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.

Impairment of property and equipment

The Group assesses whether there are any indicators of impairment for property and equipment at each reporting date. Property and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of investment properties

The Group assesses whether there are any indicators of impairment for investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts are higher than their fair values.

At 31 December 2017, the Group has estimated the market value of its investment properties on the basis of valuation carried out by an independent external valuation expert. The valuations were determined using the Income Capitalisation Method which includes current and estimated rental values with allowances for void periods, running costs and other operating expenses. Management believes that the highest returns from and the best use of its investment properties is in their current use.

Net realisable value of development properties

The realisable values of development properties were determined by the management based on valuations performed by qualified and independent chartered surveyors and property consultants. These valuations have been prepared in accordance with the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS), and are reflective of the economic conditions prevailing as at the reporting date, and changes in the development plan of certain projects.

DAMAC PROPERTIES DUBAI CO PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Key sources of estimation uncertainty (continued)

Net realisable value of development properties (continued)

The valuation method used for 'properties under development' was the residual land valuation method which is based on a discounted cash flow approach that determines the value of the property by deducting the estimated costs to complete the development from the estimated value on completion derived from the sales proceeds of the property. This method entails estimating the gross realisation from the projected sales price of the properties. From this is deducted the outstanding estimated cost to service the property including a developer's margin to arrive at a residual value. The resultant value expressed in net present value terms represents the estimated price that a well-informed rational and efficient developer or investor would pay for the subject property. The method takes into account the time value of money concept where future cash flows are discounted at rates ranging from 12.5% to 20% (2016: 12% to 20%) depending on the nature and scale of the project under development and the timeframe over which it is expected to be developed. The properties are expected to be developed over a period varying between 1 to 5 years.

The valuation method used for 'completed properties' and 'land held for development' was the comparable method which is based on similar transactions in the market adjusted for market risk, legal risk and property risk inherent to each of the properties.

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. In determining whether provisions should be recognised in the consolidated statement of profit or loss and other comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a reasonable measurable decrease in the estimated future cash flows. Accordingly, a provision is made where there is a potential loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Useful lives of investment properties and property and equipment

The costs of completed investment properties and property and equipment are depreciated over the estimated useful lives of the assets. The estimated useful lives are based on the expected usage of the assets and expected physical wear and tear, which depend on operational factors. Management has not considered any residual value as it is deemed immaterial.

5. Segment analysis

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

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5. Segment analysis (continued)

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

	2017 AED'000	2016 AED'000
Revenue		
Domestic	6,504,225	6,722,792
International	950,125	433,390
	7,454,350	7,156,182
	2017 AED'000	2016 AED'000
Development properties		
Domestic	8,207,859	8,438,625
International	1,435,192	1,806,439
	9,643,051	10,245,064

6. Property and equipment

	Building AED'000	Furniture and fixtures AED'000	Tools and office equipments AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 January 2016	-	71,496	86,997	4,429	162,922
Additions	-	1,307	8,501	344	10,152
Disposals	-	-	(440)	(190)	(630)
At 31 December 2016	-	72,803	95,058	4,583	172,444
Additions	-	4,087	15,313	1,284	20,684
Transfer from development properties (note 8)	91,858	-	-	-	91,858
Disposals	-	-	(265)	(559)	(824)
At 31 December 2017	91,858	76,890	110,106	5,308	284,162

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6. Property and equipment (continued)

	Building AED'000	Furniture and fixtures AED'000	Tools and office equipment AED'000	Motor vehicles AED'000	Total AED'000
Accumulated depreciation					
At 1 January 2016	-	44,288	52,463	2,296	99,047
Charge for the year	-	3,313	11,746	206	15,265
Disposals	-	-	(420)	(190)	(610)
At 31 December 2016	-	47,601	63,789	2,312	113,702
Charge for the year	3,103	12,073	3,925	1,170	20,271
Disposals	-	-	(170)	(93)	(263)
At 31 December 2017	3,103	59,674	67,544	3,389	133,710
Carrying value as at 31 December 2017	88,755	17,216	42,562	1,919	150,452
As at 31 December 2016	-	25,202	31,269	2,271	58,742

7. Investment properties

Investment properties represent completed properties held at cost less accumulated depreciation and impairment losses under the cost model in accordance with IFRSs.

Movement during the year is as follows:

	2017 AED'000	2016 AED'000
Cost		
Transfer from development properties (note 8)	203,114	-
Depreciation	(6,093)	-
Balance at the end of the year	197,021	-

Fair value of the investment properties were determined under the Income Capitalisation Method which involves the capitalisation of current and estimated rental values at an equivalent yield of approximately 7.5% and vacancy rate of 8% with allowances for void periods, running costs and other operating expenses. The valuation was performed in accordance with RICS Appraisals and Valuation Standards as adapted for Dubai and UAE Laws and Regulations, and is reflective of the economic conditions prevailing as at the reporting date.

At 31 December 2017, the fair value of the completed investment properties and related land was AED 301 million on the basis of a valuation carried out by an independent external valuation expert. The investment properties are located in the UAE, and are categorised under Level 3 in the fair value hierarchy.

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8. Development properties

Development properties represent development and construction costs incurred on properties being developed for sale.

Movement during the year is as follows:

	2017	2016
	AED'000	AED'000
Cost		
Balance at the beginning of the year	10,245,064	9,143,770
Additions during the year	3,513,108	4,254,707
Transfer to cost of sales during the year	(3,809,208)	(3,153,413)
Transfer to investment properties (note 7)	(203,114)	-
Transfer to property and equipment (note 6)	(91,858)	-
Disposal of a subsidiary	(10,941)	-
Balance at the end of the year	9,643,051	10,245,064

Impairment of development properties

At 31 December 2017, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, the Group engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

This review did not result in impairment during the current year, reflecting stable macroeconomic conditions and expected future sales prices.

For impairment losses recognised in prior periods, the Group has assessed, based on internal and external sources of information, and concluded that the carrying value of the related development property is appropriately stated as per IAS 2.

Assets held as development properties

The development properties balance includes land held for future development, properties under development and completed properties held in inventory.

The balances above are split into these categories as follows:

	2017	2016
	AED'000	AED'000
Land held for future development	534,663	1,221,220
Properties under development	7,626,907	7,960,923
Completed properties	1,481,481	1,062,921
Balance at the end of the year	9,643,051	10,245,064

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9. Other financial assets

	2017	2016
	AED'000	AED'000
Escrow retention accounts	1,009,668	1,003,389
Margin deposits	8,699	11,155
Other	6,390	2,084
Balance at the end of the year	1,024,757	1,016,628

In accordance with applicable laws, the Group holds funds under escrow in Real Estate Regularity Agency ("RERA") authorised bank accounts. These funds must be held in these escrow accounts for a fixed period of one year after completion of the relevant development properties, at which point they are released to the Group. These funds earn profit or interest at relevant commercial rates.

At 31 December 2017, margin deposits are held by banks under lien against credit facilities issued to the Group and earn profit or interest at relevant commercial rates.

At the reporting date, an amount of AED 586 million (2016: AED 513 million) is held with Islamic banks and the balance is held with conventional banks.

10. Trade and other receivables

	2017	2016
	AED'000	AED'000
Unbilled receivables (i)	5,118,024	3,287,357
Trade receivables (ii)	983,403	823,514
Provision for impairment on trade receivables (iii)	(131,866)	(154,174)
	5,969,561	3,956,697
Advances and deposits	573,947	766,018
Other receivables and prepayments	63,704	81,563
Balance at the end of the year	6,607,212	4,804,278

(i) Unbilled receivables relate to the Group's right to receive consideration for work completed but not billed at the reporting date. These are transferred to trade receivables when invoiced.

Movement in unbilled receivables during the year is as follows:

	2017	2016
	AED'000	AED'000
Balance at the beginning of the year	3,287,357	2,709,260
Increase due to project progress	3,723,117	2,396,952
Transfer to trade receivables	(1,892,450)	(1,818,855)
Balance at the end of the year	5,118,024	3,287,357

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10. Trade and other receivables (continued)

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

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

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	154,174	198,886
Net reversal of impairment during the year (note 21)	(22,308)	(44,712)
Balance at the end of the year	131,866	154,174

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

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

	Neither past due nor impaired AED'000	Past due but not impaired				Total AED'000
		1 – 60 days AED'000	61 – 180 days AED'000	181 – 270 days AED'000	Above 270 days AED'000	
31 December 2017	5,118,024	224,214	230,333	138,310	258,680	5,969,561
31 December 2016	3,287,357	228,293	129,960	72,712	238,375	3,956,697

Ageing of impaired trade receivables is as follows:

	1 – 60 days AED'000	61 – 180 days AED'000	181 – 270 days AED'000	Above 270 days AED'000	Total AED'000
31 December 2017	804	1,067	15,970	114,025	131,866
31 December 2016	7,641	9,691	29,088	107,754	154,174

11. Financial investment

During the year, the Group increased its investment in DAMAC International Limited, a related entity whose principal activity is property development, from AED 185 million to AED 263 million (2016: from AED 147 million to AED 185 million) which represents a 20% (2016: 20%) equity interest in the related entity.

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12. Cash and bank balances

	2017 AED'000	2016 AED'000
Cash on hand	835	1,109
Cash held in escrow	5,979,509	7,002,061
Bank balances	59,551	83,501
Fixed deposits	1,418,435	1,229,377
Cash and bank balances	7,458,330	8,316,048
Fixed deposits with an original maturity of greater than three months	(1,417,819)	(1,127,348)
Bank overdrafts (note 14)	(163,844)	(100,757)
Cash and cash equivalents	5,876,667	7,087,943

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

Fixed deposits are financial assets held by banks with maturity period of more than three months from the date of placement. As at 31 December 2017, the fixed deposits earned interest at rates ranging from 1% to 6% (2016: 1% to 6%) per annum.

At the reporting date, fixed deposits and bank balances of AED 195 million (2016: AED 193 million) are held by banks under lien against credit facilities issued to the Group.

At the reporting date, an amount of AED 4,585 million (2016: AED 4,422 million) is held with Islamic banks and the balance is held with conventional banks.

13. Share capital

	2017 AED'000	2016 AED'000
Issued, subscribed and fully paid shares of AED 1 each	6,050,000	6,050,000

14. Bank borrowings

	2017 AED'000	2016 AED'000
Bank facilities	651,577	1,061,879
Overdrafts (note 12)	163,844	100,757
	815,421	1,162,636

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14. Bank borrowings (continued)

- a) At the reporting date, an amount of AED 222 million (2016: AED 309 million) is outstanding with Islamic banks and the balance with conventional banks.
- b) Details of the Group's bank facilities are as follows:

Islamic banks and financial institutions

The Group has the following Sharia compliant financing facility with an Islamic financial institution:

- AED 250 million Ijarah facility with a commercial bank at a rate of 3 months EIBOR plus 3.25% per annum, repayable by 2020. Out of this AED 28 million was repaid as at 31 December 2017.

Conventional banks and financial institutions

The Group has the following unsecured interest-bearing loans and financing facilities with conventional banks and financial institutions:

- AED 183 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable in 2018. Out of this, AED 57 million was repaid as at 31 December 2017.
- AED 63 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable in 2018.
- AED 433 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable in 2018. Out of this, AED 354 million was repaid as at 31 December 2017.
- AED 50 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable in 2018. Out of this, AED 42 million was repaid as at 31 December 2017.
- AED 165 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, repayable by 2019. Out of this, AED 41 million was repaid as at 31 December 2017.
- AED 67 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2020. Out of this, AED 38 million was repaid as at 31 December 2017.

- c) As at 31 December 2017, the Group had arranged for bank facilities amounting to AED 1,833 million (2016: AED 1,761 million) in the form of letters of credit and guarantees out of which AED 896 million (2016: AED 524 million) remained unutilised as at the reporting date.
- d) As at 31 December 2017 and 2016, the outstanding loan amounts are subject to commercial interest and profit rates.
- e) The non-funded facilities are mainly secured by mortgages over certain properties owned by the Group, corporate guarantees of the Company and pledges over bank accounts and deposits.

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14. Bank borrowings (continued)

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

	2017 AED'000	2016 AED'000
On demand or within one year	542,577	918,207
In the second and third years	272,844	244,429
	815,421	1,162,636

- g) As at the reporting date, the Group was in compliance with all required covenants under the above borrowings and facilities.

Reconciliation of liabilities arising from financing activities

	1 January 2017 AED'000	Cash flows (i) AED'000	Other changes AED'000	31 December 2017 AED'000
Bank facilities	1,061,879	(410,302)	-	651,577

- (i) The cash flows from bank facilities represent net repayment of borrowings in the statement of cash flows.

15. Sukuk certificates

	2017 AED'000	2016 AED'000
Sukuk certificates	3,958,989	2,664,473
Unamortised issue costs	(21,460)	(10,875)
Carrying amount	3,937,529	2,653,598

Movement in unamortised issue costs during the year is as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	10,875	16,534
Incurred during the year	21,978	-
Amortised during the year	(11,393)	(5,659)
Unamortised issue costs at the end of the year	21,460	10,875

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15. Sukuk certificates (continued)

- On 9 April 2014, the Group issued USD 650 million (AED 2,389 million) Sukuk Trust Certificates (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and Nasdaq Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the Issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

The Certificateholders are paid returns at the rate of 4.97% per annum.

On 20 April 2017, the Group repurchased sukuk certificates worth USD 197.7 million (AED 727 million) at a premium.

- On 30 March 2017, the Group issued USD 125 million (AED 459 million) Sukuk Trust Certificates (the "Certificates") maturing in 2018. Alpha Star Holding IV Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The sukuk was fully subscribed by a UAE financial institution. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. The Certificateholder from time to time has the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificate.

The Certificateholder is paid return at the rate of 3 months LIBOR plus 3.25% per annum.

- On 21 March 2017, the Group redeemed USD 75 million (AED 276 million) of sukuk certificates on maturity.
- On 20 April 2017, the Group issued USD 500 million (AED 1,838 million) Sukuk Trust Certificates (the "Certificates") maturing in 2022. Alpha Star Holding III Limited is the Issuer and Trustee pursuant to Declaration of Trust and DRED is the Guarantor. The Certificates are listed on the Irish Stock Exchange and Nasdaq Dubai. The sukuk is structured on the basis of service agency whereby the service agent for and on behalf of the issuer enters into Ijara (leasing) and Murabaha contracts with the DRED. Holders of the Certificates from time to time (the "Certificateholders") have the right to receive certain payments arising from an undivided ownership interest in the Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

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

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15. Sukuk certificates (continued)

	2017 AED'000	2016 AED'000
Amount due for settlement within 12 months	455,618	275,723
Amount due for settlement after 12 months	3,481,911	2,377,875
	3,937,529	2,653,598

Reconciliation of liabilities arising from financing activities

	1 January 2017 AED'000	Cash flows (i) AED'000	Other changes (ii) AED'000	31 December 2017 AED'000
Sukuk certificates	2,653,598	1,272,538	11,393	3,937,529

(i) The cash flows from sukuk certificates represent proceeds from the issuance of sukuk certificates net of repurchases, redemptions and issue cost payments in the statement of cash flows.

(ii) Other changes represent issue costs amortised to the consolidated statement of profit or loss and other comprehensive income during the year.

16. Advances from customers

Advances from customers represent payments received from customers for sale of properties for which revenue has not yet been recognised in line with the revenue recognition policy consistent with IFRS 15.

Movement during the year is as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	4,196,801	5,533,221
Amounts billed during the year	6,792,480	6,416,592
Revenue recognised during the year	(7,433,574)	(7,168,472)
Other income recognised during the year (note 20)	(281,211)	(584,540)
Balance at the end of the year	3,274,496	4,196,801

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17. Trade and other payables

	2017 AED'000	2016 AED'000
Accruals	1,077,961	1,264,091
Retentions payable (i)	872,611	807,745
Deferred consideration payable for land	799,597	1,238,081
Other payables (ii)	652,982	647,147
Provision for employees' end-of-service indemnity (iii)	47,562	37,623
	3,450,713	3,994,687

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

(ii) Reconciliation of liabilities arising from financing activities.

	1 January 2017 (a) AED'000	Cash flows (b) AED'000	Other changes (c) AED'000	31 December 2017 (a) AED'000
Other liabilities	34,040	(260,908)	272,656	45,788

(a) Balance at the beginning and the end of the year represent provision for finance costs that are included under other payables.

(b) The cash flows represent finance costs paid during the year in the statement of cash flows.

(c) Other changes represent finance costs charged to the consolidated statement of profit or loss and other comprehensive income during the year.

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

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	37,623	33,270
Charge for the year	18,664	11,043
Payments made during the year	(8,725)	(6,690)
Balance at the end of the year	47,562	37,623

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18. Related party transactions

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

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

	2017 AED'000	2016 AED'000
Entities under the control of Chairman		
Investment in DAMAC International Limited (note 11) (i)	(77,651)	(38,022)
Support services fees (note 22) (ii)	8,535	7,415
Construction works executed	-	(100,728)

(i) Investment in DAMAC International Limited

During the year, the Group increased its investment in DAMAC International Limited by AED 78 million (2016: AED 38 million), a related entity under the control of the Chairman (note 11).

(ii) Support services fees

During the year the Group received AED 9 million (2016: AED 7 million) towards support services rendered to DAMAC International Limited and DICO Investments Co LLC, both related entities under the control of the Chairman (note 22).

Remuneration of key management personnel

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

	2017 AED'000	2016 AED'000
Salaries and other short-term employee benefits	13,479	15,478
Other long term benefits	651	958
	14,130	16,436

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19. Revenue

	2017 AED'000	2016 AED'000
Property development	5,371,327	5,064,132
Sale of land	2,083,023	2,092,050
	7,454,350	7,156,182

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations is AED 13,228 million. The Group will recognise this revenue as project progress is achieved, which is expected to occur over the next 1 to 4 years.

20. Other operating income

	2017 AED'000	2016 AED'000
Income from cancellation of units (note 16)	281,211	584,540
Penalties from overdue customers	8,830	8,499
Unit registration and transfer fees	542	1,110
	290,583	594,149

21. General, administrative and selling expenses

	2017 AED'000	2016 AED'000
Employees' salaries and benefits	470,886	442,006
Advertising and sales promotion	185,502	134,369
Brokerage and commission	184,606	109,230
Rent and licence fees	48,641	58,277
Repairs and maintenance	41,806	35,476
Legal and professional	36,803	26,646
Bank charges	26,852	21,135
Travel and conveyance	18,999	15,979
Insurance	13,140	11,109
Tax expense	12,696	21,095
Communication	10,847	9,862
Reversal of impairment on trade receivables (note 10)	(22,308)	(44,712)
Others	35,028	18,947
	1,063,498	859,419

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22. Other income

	2017 AED'000	2016 AED'000
Property management fees	25,648	23,053
Support services fees (note 18)	8,535	7,415
Gain on disposal of a subsidiary	3,469	-
Other	18,658	14,346
	56,310	44,814

23. Finance income

	2017 AED'000	2016 AED'000
Islamic banks and financial institutions	72,024	43,863
Conventional banks and financial institutions	69,148	72,015
	141,172	115,878

24. Finance costs

	2017 AED'000	2016 AED'000
Islamic banks and financial institutions	214,621	152,161
Conventional banks and financial institutions	58,035	30,402
	272,656	182,563

25. Contingent liabilities

	2017 AED'000	2016 AED'000
Bank guarantees	937,251	1,236,580

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 December 2017.

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26. Commitments

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

	2017 AED'000	2016 AED'000
Contracted for	5,407,712	6,210,538

Operating lease commitments – Group as a lessee

The Group has entered into operating lease agreements for properties on which the future minimum rentals payable are as follows:

	2017 AED'000	2016 AED'000
Within one year	8,055	8,055
Between two and five years	34,635	33,829
More than five years	204,997	213,857
Total	247,687	255,741

Operating lease commitments – Group as a lessor

The Group has entered into leases on its investment property portfolio whose contracted periods do not exceed one year.

27. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2017 AED'000	2016 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	14,478,266	13,302,213
Financial investments	262,673	185,022
	14,740,939	13,487,235
Financial liabilities		
At amortised cost	8,156,101	7,773,298

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27. Financial instruments (continued)

(c) Fair value of financial instruments

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

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

28. Financial risk management

Management reviews overall financial risk covering specific areas, such as market risk, credit risk, liquidity risk and investing excess cash.

The Group does not hold or issue derivative financial instruments.

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

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease / increase by AED 5.8 million (2016: AED 5.4 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

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28. Financial risk management (continued)

(c) Foreign currency risk management

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

(d) Credit risk management

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

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

The carrying amount of financial assets, excluding financial investments, 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 AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2017:					
Non-interest bearing	-	3,043,151	360,000	-	3,403,151
Fixed interest rate instruments	5.64	-	1,662,114	1,837,500	3,499,614
Variable interest rate instruments	4.82	1,001,952	50,605	222,239	1,274,796
		4,045,103	2,072,719	2,059,739	8,177,561
31 December 2016:					
Non-interest bearing	-	2,970,096	911,968	75,000	3,957,064
Fixed interest rate instruments	4.89	275,723	-	2,388,750	2,664,473
Variable interest rate instruments	4.91	918,207	244,429	-	1,162,636
		4,164,026	1,156,397	2,463,750	7,784,173

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28. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2017:					
Non-interest bearing	-	12,035,074	-	-	12,035,074
Variable interest rate instruments	2.19	2,443,192	-	-	2,443,192
		14,478,266	-	-	14,478,266
31 December 2016:					
Non-interest bearing	-	11,056,208	-	-	11,056,208
Variable interest rate instruments	1.82	2,246,005	-	-	2,246,005
		13,302,213	-	-	13,302,213

29. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 14 and 15, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

30. Earnings per share

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

	2017	2015
Profit for the year (AED'000)	2,759,777	3,694,647
Weighted average number of ordinary shares ('000)	6,050,000	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	0.46	0.61

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31. Dividend

On 16 April 2017 the Company held its annual general meeting which, among other things, approved a cash dividend equal to AED 0.25 per share amounting to AED 1,512.5 million. The dividend was paid on 7 May 2017.

On 19 April 2016 the Company held its annual general meeting which, among other things, approved a cash dividend equal to AED 0.15 per share amounting to AED 907.5 million. The dividend was paid on 15 May 2016.

32. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2017 was approved by the Board and authorised for issue on 13 February 2018.

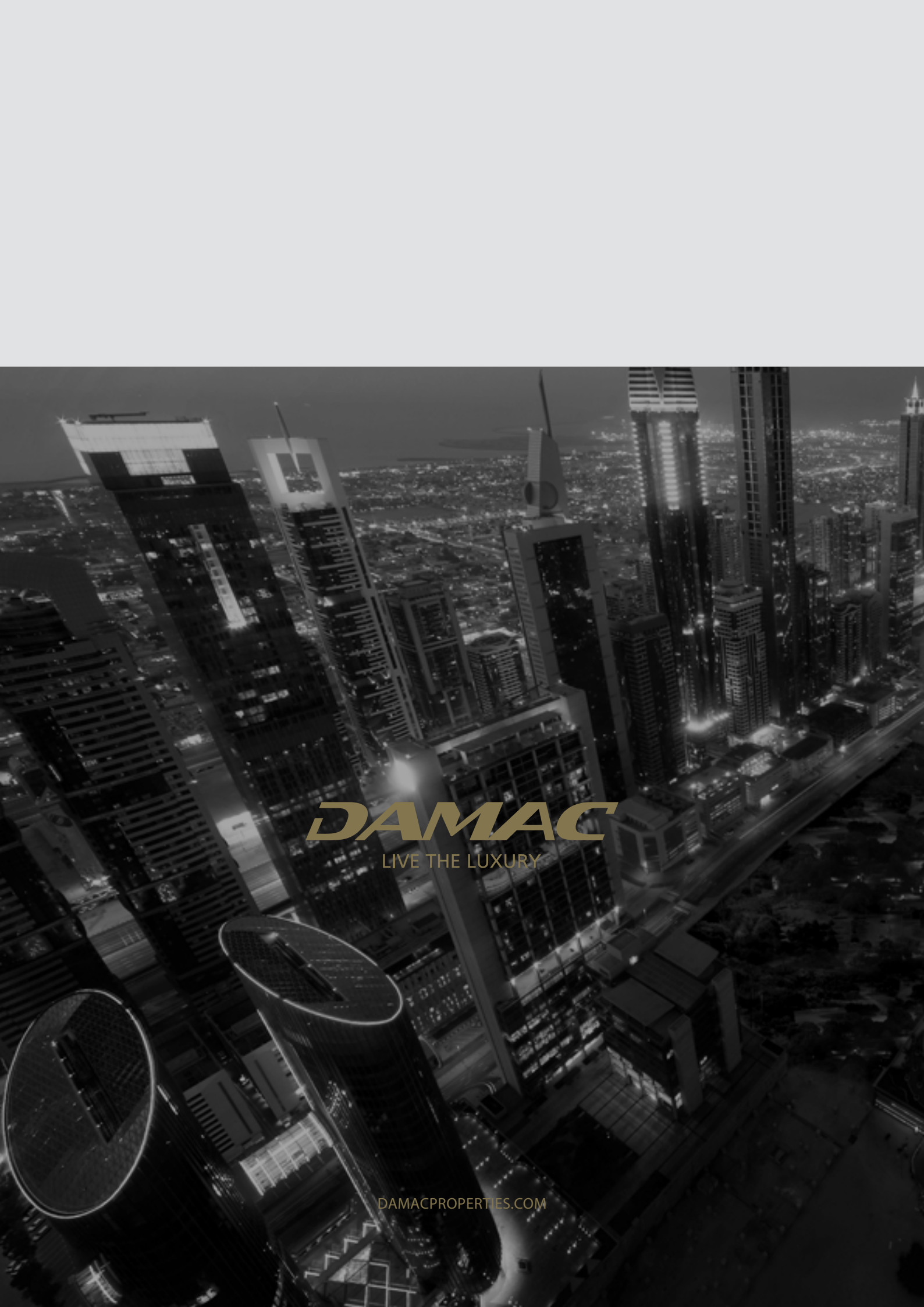
ADDITIONAL INFORMATION

BUSINESS ADDRESS

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

INDEPENDENT AUDITORS

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



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