DAMAC

ANNUAL REPORT

DAMAC PROPERTIES DUBAI CO PJSC

2016

SCALING NEW HEIGHTS

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CORPORATE OVERVIEW

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,
2016 has been another milestone year for your company, DAMAC. After a very successful 2015, our maiden year 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 most important market. After a successful move to the DFM in early 2015, we have solidified our position as one of the top 10 largest Companies on the exchange.

2016 was, similar to 2015, a year of breakthroughs in the history of the Company. In our first-ever master development, DAMAC Hills (previously AKOYA by DAMAC), we have completed over 2,000 units to date and have started to transform 42 million square feet of desert land into a vibrant community in just under three and a half years, in the heart of the dynamic city of Dubai – a milestone of which we are exceptionally proud. At the same time, we had over 23 new launches across Dubai. 2016 was also the year of launching our new large-scale project, AYKON City, in one of the most exciting locations in Dubai. AYKON City is a one-of-a-kind four-million-square-foot multi-tower development, located on Sheikh Zayed Road, overlooking the Dubai Canal. 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 Beirut, (DAMAC Tower with Interiors by Versace Home), selling close to 40% of our London project (AYKON London One) and making good progress on existing projects in Saudi Arabia and Qatar. Moving east, and having further strengthened our focus on China over the last 18 months with our sales partners, 5i5j and Qfang, (with a network of 70,000 sales agents across various Chinese provinces), we are pleased to note that during 2016, approximately 3% of our booked sales were from Chinese buyers.

BUSINESS HIGHLIGHTS

Over 2016, we achieved over AED 7 billion (US$ 1.9 billion) in booked sales, in line with our guidance which, although representing a decline on 2015, was anticipated and well prepared for. The market has been softer overall, but transaction volumes are healthy and volatility is lower. Over the year we have delivered 2,424 units across our various projects, including DAMAC Hills, DAMAC Maison Bay's Edge and DAMAC Maison Royale The Distinction, both in the Burj area of Dubai, in addition to DAMAC Tower with Interiors by Versace Home, in Lebanon. We are particularly proud of the ongoing deliveries in our first master development, DAMAC Hills, as they have demonstrated our ability to deliver as master developers on time and on budget, further confirming the transferability of our skills and operational know-how into new market segments. This lowers the intrinsic risk of business earnings and enhances shareholder value.

The Company honoured its commitment to pay a cash dividend of AED 1.46 billion (US$ 397 million) for 2015. The Board recommended a higher cash dividend payout of AED 1.5 billion (US$ 412 million) (AED 0.25 per share) for 2016 (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 3.0 billion (US$ 808 million) over two years. Total shareholder returns (including cash dividends) since our IPO on London Stock Exchange in December 2013 stands at c.78% (based on 31 December 2016 closing price).

MARKET HIGHLIGHTS

Overall, the market has cooled off since its peak in 2014. This is partly because of new regulations for the Dubai market implemented in late 2013 to stabilise markets, including a 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. With regards to demand, off-plan sales remain relatively strong, especially in our core areas. However, this challenging market environment creates opportunities for well-capitalised and experienced companies like ours, with a strong 15-year 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 changes with successful product launches in the more mid-level 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 2008-2010. Dubai, in terms of government, regulators, developers, providers of capital and investors has learnt a great deal. 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 5% annually, creates a diversified economy clearly outpacing the region. This set of conditions 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 various products to satisfy it, would fare better. We believe that DAMAC can adapt to changing markets and keep a strong focus on margins and execution, uniquely positioning us and setting us apart from the rest, in the dynamic Dubai real estate market.

OUTLOOK

Looking ahead to 2017 we expect 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 in the secondary market seem to have bottomed out and stabilised, while demand for mid-market off-plan sales are increasing. We are 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 the year including our employees, partners, contractors, suppliers and to customers for their patronage.

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

Hussain Sajwani

HUSSAIN SAJWANI
CHAIRMAN

RETURNS
78%
SINCE IPO
(10 DECEMBER 2013)

2,424
UNITS DELIVERED

BOOKED SALES
> AED 7 BILLION

RECOMMENDED DIVIDEND PAYOUT
AED 1.5 BILLION*

*Subject to shareholder approval

Note: Figures refer to 2016 performance

CHIEF FINANCIAL OFFICER'S MESSAGE

ADIL TAQI
GROUP CHIEF FINANCIAL OFFICER

GROUP PERFORMANCE SUMMARY

Despite challenges faced by the region in 2016, 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. While our revenue decreased by 16% year on year to AED 7,156 million (US$ 1,947 million), we have been able to continue to deliver industry-leading profitability with a gross profit margin of 55.9% and a net profit of AED 3,695 million (US$ 1,005 million) at a net profit margin of 51.6%.

Booked sales during the year, while lower than 2015, were in excess of AED 7 billion (US$ 1.9 billion) with strong performance in our two master developments, AKOYA Oxygen and DAMAC Hills, as well as our latest multi-tower project, AYKON City, overlooking the Dubai Canal. In addition, our keen focus on execution is demonstrated by the pace of construction activity across our ongoing projects, having spent over AED 4.5 billion (US$ 1.2 billion) on land and construction-related expenses during the year. We continue to have strong collection momentum with over AED 5.2 billion (US$ 1.4 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.

LAND

We practice an opportunistic approach to land acquisitions. Despite not acquiring any additional land during the year, we have a healthy land bank (unsold inventory) representing circa five years of sales potential. We continually appraise opportunities to refresh the land bank as we build our existing pipeline. Deferred consideration for land payments as at 31 December 2016 stood at AED 1,238 million (US$ 337 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 15.5% and gross debt to equity ratio of 30% as at 31 December 2016. We aim to utilise debt as an effective balance sheet management tool while keeping sufficient headroom to lever up if an opportunity arises to deploy the proceeds profitably. During 2016, our gross debt increased marginally by AED 52 million (US$ 14 million). In line with our prudence, we continue to maintain a net cash position, which stands at AED 4.5 billion (US$ 1.2 billion) as at 31 December 2016.

Finance costs stood at AED 183 million (US$ 50 million) for 2016. The majority of our debt is fixed interest bearing in nature and our weighted average cost of debt continues to be under 5% p.a. as at 31 December 2016.

OVERHEADS

General administrative and selling expenses were down 15% in 2016 to AED 859 million (US$ 234 million), mainly due to decline in sales and sales-related costs in line with sales activities during the year and partly due to write back of provision for doubtful debts.

FINANCIAL STRENGTH

Our order backlog (sold but revenue yet to be recognised) stood at AED 13.6 billion (US$ 3.7 billion) as at 31 December 2016. We continue to focus on a disciplined cash management approach. Customers on the above order book have paid on average 55% of the total product price which is a testament to quality of these sales and the order book.

Our cash and bank balance stood at AED 8,316 million (US$ 2,263 million) at the end of the year, a decrease of 12% over 2015. The resilient sales and collections performance of our projects has resulted in escrow balances totaling AED 7,002 million (US$ 1,905 million) as at 31 December 2016. Our free cash balance stands at AED 1,314 million (US$ 358 million).

The focus on our core business activity is demonstrated by the fact that development properties and cash balances account for over 75% of our total assets. Total equity grew 28% in 2016 to AED 12,618 million (US$ 3,433 million), after adjustments for the final 2015 cash dividend payout, fuelled by the net profit of AED 3,695 million (US$ 1,005 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 very conservative level of debt. While the air of caution remains at the end of 2016, on the back of positive trends in regional macro-economics and signs of stabilisation in the Dubai real estate market, we look forward to 2017 with optimism and conviction in our ability to forge our way through the challenges ahead.

Adil Taqi

LAND BANK
c.5 YEARS

DEBT TO EQUITY RATIO
30%

ORDER BACKLOG
AED 13.6 BILLION

TOTAL CASH BALANCE OF OVER
AED 8.3 BILLION

Note: Figures refer to 2016 performance

17,900 UNITS DELIVERED

13,000 HOSPITALITY UNITS UNDER DEVELOPMENT

44,000 UNITS IN PIPELINE

Vista Lux at AKOYA Oxygen

ABOUT US

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

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

As of 31st December 2016, DAMAC Properties had delivered over 17,900 homes, with a development portfolio of over 44,000 units at various stages of planning and progress. Included in this are 13,000 hotel rooms and serviced hotel apartments, which will ultimately be managed by the Company's hospitality arm, DAMAC Hotels & Resorts.

DAMAC's vision is to deliver luxury living within high-quality residential, hospitality, leisure and commercial developments. At the heart of the Company's culture lies the desire to accomplish this vision for its customers from all over the world, encompassing every element, from architects, designers and contractors, through to the handover of keys. To ensure developments are delivered to the highest possible standards, DAMAC provides the right working environment for talented employees, selects only the 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, luxury villas styled by Bugatti, and uniquely conceptualised 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 completed over 2,000 homes so far and will feature more than 4,000 luxury villas and 7,500 apartments when completed, 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 Styled Villas and several other luxury concepts at AKOYA Oxygen.

Running through the heart of each project 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, is now operational, and at AKOYA Oxygen, the Trump World Golf Club Dubai, designed by Tiger Woods, will be open in 2018. 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, the Company is also developing a US$ 1.35 billion hotel and luxury serviced residences project in the Burj area of Dubai called DAMAC Towers by Paramount Hotels & Resorts, which will comprise the first Paramount hotel and serviced residences in the region.

AYKON City is a US$ 2 billion luxury development located within the 40-million-square-foot Dubai Canal Project master community. 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 the Dubai Canal. It will join other iconic developments in the Golden Quadrant of the business district of the city such as City Walk, the Burj Khalifa, Emirates Towers and the Dubai International Financial Centre district (DIFC). The project will be a distinctive luxury development with unique features that will attract residents and tourists alike.

DAMAC Properties' hospitality portfolio will extend within the coming few years to reach around 15,000 units. The Company's pipeline of hospitality projects, including DAMAC Maison Bay's Edge, DAMAC Maison Royale The Distinction, DAMAC Maison de Ville Tenora and DAMAC Maison Upper Crest, to be opened in 2017, extends across the Burj area and other key locations of Dubai and will be operated by DAMAC Hotels & Resorts.

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

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

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

EVOLUTION OF THE COMPANY

2002 — Early entry to the off-plan working capital efficient model

2006 — First project 'Marina Terrace' in Dubai delivered

2008 — Early move to manage the exposure and debt position in 2008

2009 — Liquidity position managed and continued building throughout crisis

2010 — Entry into hospitality market and the establishment of DAMAC Hotels & Resorts

2011 — Established partneship with Versace to build DAMAC Tower in Beirut

2013 — First IPO following the crisis (US$ 380 million) – listed on LSE

2014 — 'AKOYA by DAMAC' (later to become DAMAC Hills) launched

2015 — Brand associations (Trump / Fendi / Paramount)

2016 — Primary listing on local stock exchange – Dubai Financial Market

FOCUS ON SALES AND RAMPING UP PHASE

FOCUS ON CONSTRUCTION

FOCUS ON INNOVATION

First project 'DAMAC Residences with interiors by Versace Home' in Jeddah, KSA delivered

Raised US$ 650 million sukuk; five-year maturity at 4.97% p.a.

Region's first officially Sharia certified product launched

55-million-square-foot master development ' AKOYA Oxygen' land aqcuired and project launched

US$ 2 billion AYKON City development launched

Sharia compliance certification on shares from Dar Al Sharia obtained

First project in Beirut Versace-branded 'DAMAC Tower' delivered

Handed over villas and apartments at DAMAC Hills totalling over 1,600 units

First project in Doha, Qatar, delivered

London Project – AYKON London One launched

First set of residences delivered in AKOYA by DAMAC (now DAMAC Hills), our first master plan development

2016 PERFORMANCE HIGHLIGHTS

JANUARY

Introduced 'Navitas Hotel & Residences' in AKOYA Oxygen golf course community

FEBRUARY

Launched AYKON City, a four-million sq ft development, located on Sheikh Zayed Road, overlooking Dubai Canal

MARCH

AYKON City's first hotel rooms offered for sale in Tower B, a 63-storey serviced hotel residences property to be operated by DAMAC Maison de Ville

APRIL

DAMAC Hotels & Resorts announced number of keys across region to reach 15,000 by 2021

DAMAC Hotels & Resorts introduces its four distinct hospitality operators at Arabian Travel Market

Launched Hotel spa villas at AKOYA Oxygen

DAMAC Towers by Paramount Hotels & Resorts topped out

Launched AYKON Dare, the emirate's first-of-its-kind tourist attraction

MAY

Held roadshows across China, Africa, and GCC

Participated in Kampala Property Expo (Uganda) and Al Ain International Property Expo (UAE)

JUNE

Launched AYKON City's first residential units in 60-storey tower

Delivered DAMAC Tower in Beirut

JULY

Launched AKOYA Imagine, contemporary-styled villas at AKOYA Oxygen, targeting millennials

AKOYA Imagine plots launched

AUGUST

DAMAC Towers by Paramount Hotels & Resorts awarded industry-leading EarthCheck certification

SEPTEMBER

Four awards received at the Africa and Arabia Property Awards

Launched AYKON City's 'The Residences' and AYKON Hotel & Hotel Apartments at Cityscape Global

Launched AKOYA Cuatro villas at AKOYA Oxygen

Revolutionary 'XV' inverted villas at DAMAC Hills launched

OCTOBER

Received Sharia-compliance certification from Dar Al Sharia

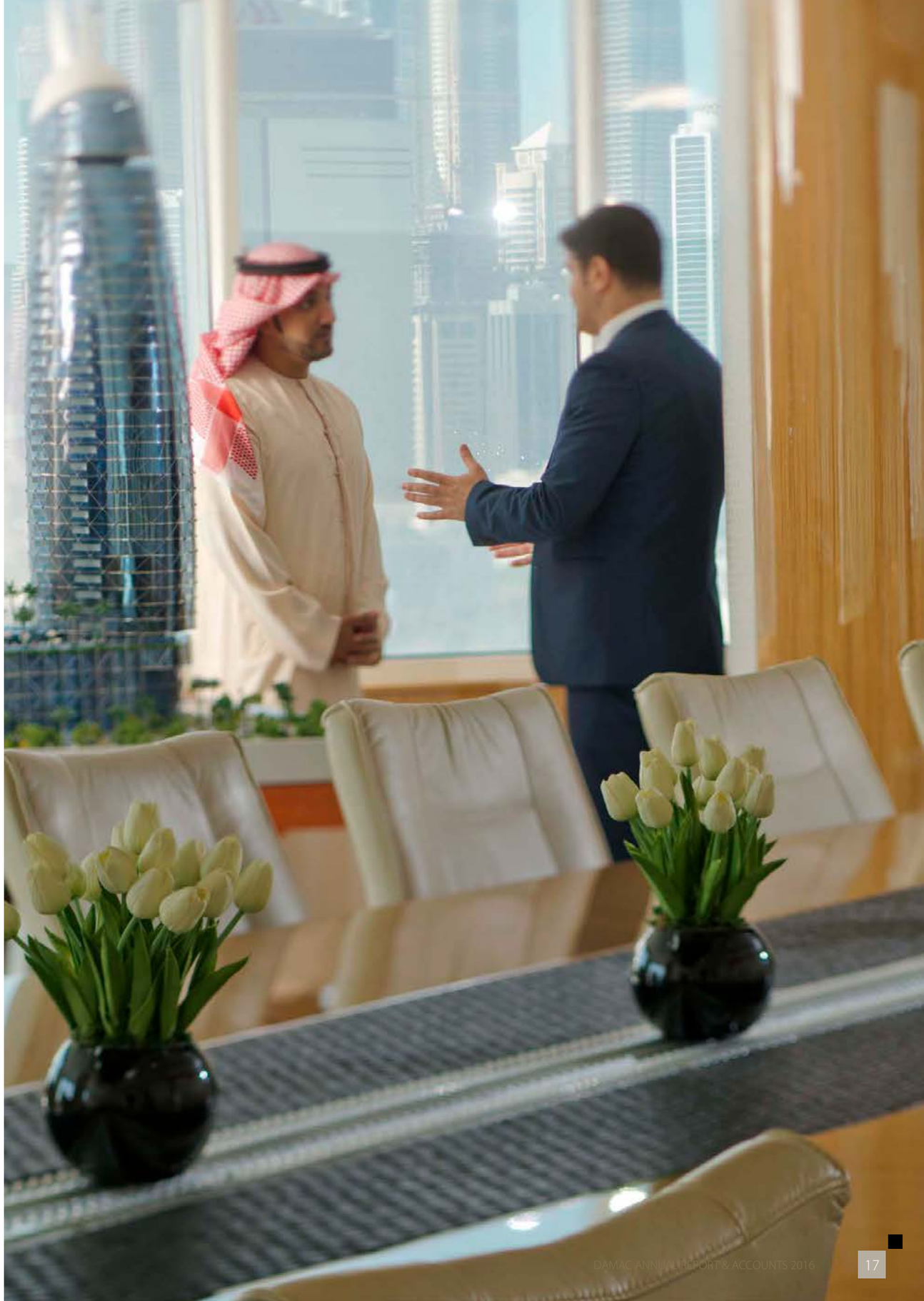
NOVEMBER

Facilities management arm receives ISO 50001:2011 Energy Management Certification

DECEMBER

DAMAC Towers by Paramount Hotels & Resorts named "Tower Project of the Year" at Construction Week Awards

Handed over first villas and apartments in DAMAC Hills



STRATEGIC REVIEW

// OUR STRATEGY
// OUR MARKETPLACE
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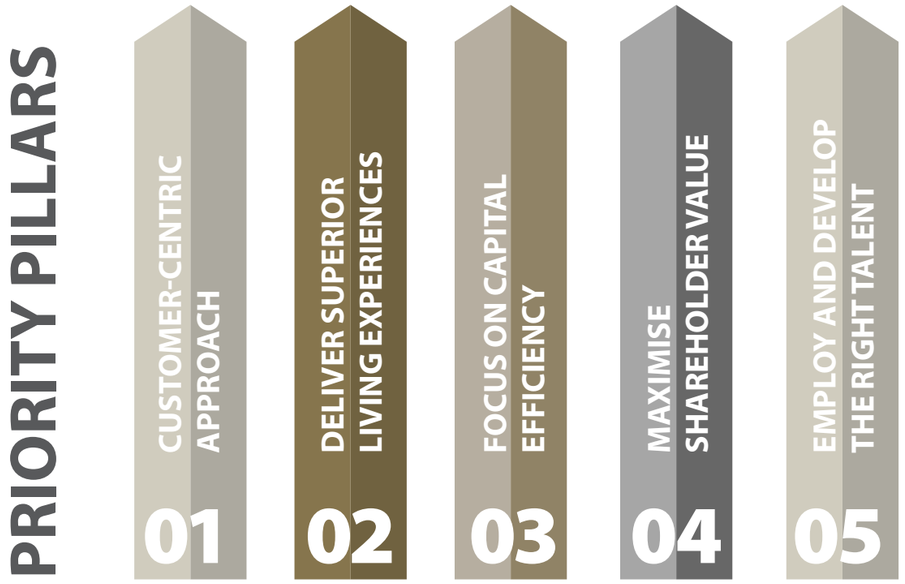
The clubhouse at Trump International Golf Club Dubai

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 – IN DETAIL]

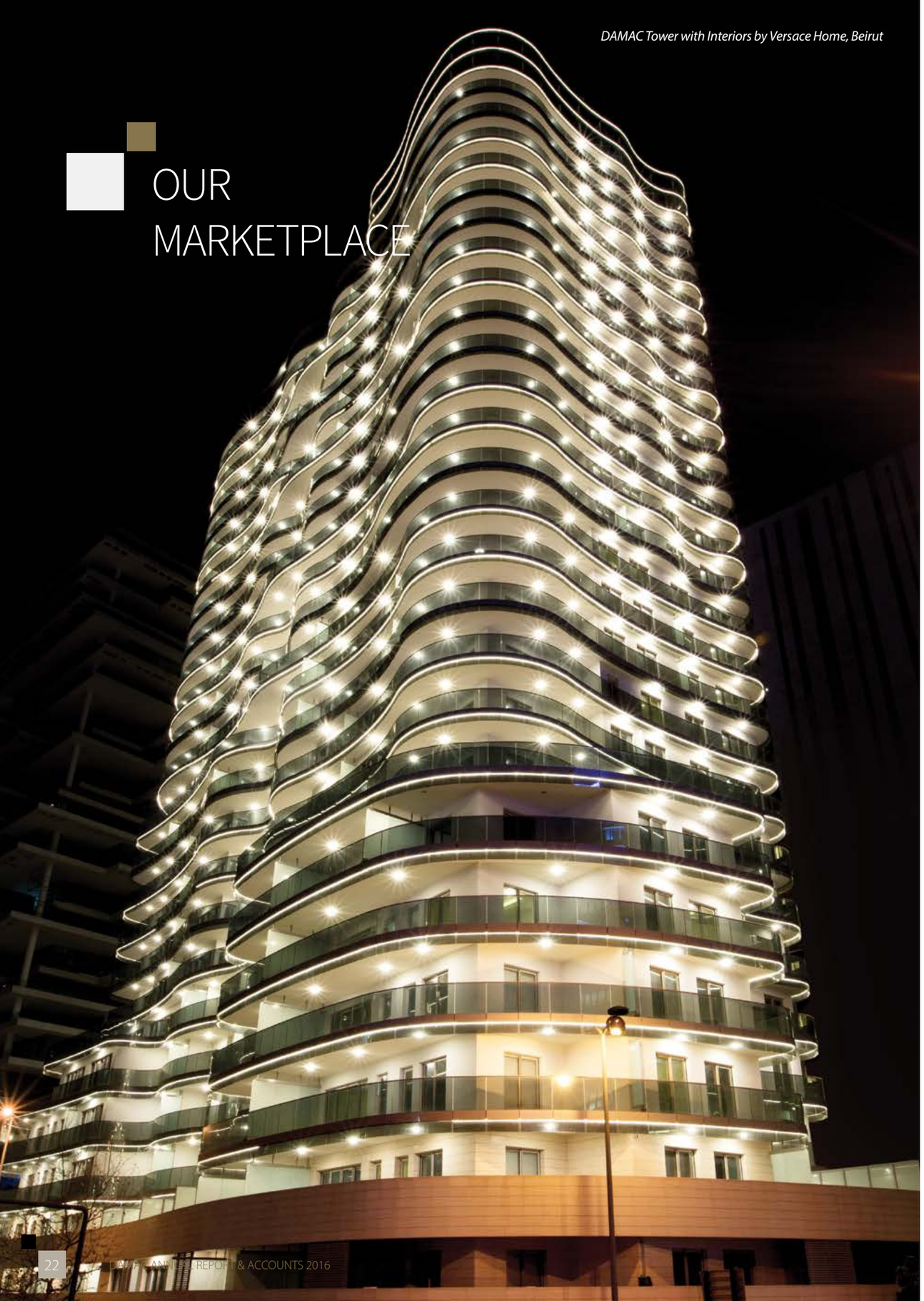
1. CUSTOMER-CENTRIC APPROACH
Our customers are always at the heart of our business. We understand and anticipate their changing needs and integrate valuable customer feedback into our design process. DAMAC Properties is the only developer in Dubai with an in-house sales force of more than 600 people, supported by state-of-the-art Customer Relationship Management (CRM) systems. After carefully defining and targeting worldwide customer segments, we cater to them. In 2016, we conducted close to 400 roadshows in over 60 cities globally.

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

3. FOCUS ON CAPITAL EFFICIENCY
All aspects of our building processes are approached with a 'right-first-time' focus. We 'value engineer' during our design process. DAMAC Properties' central procurement division facilitates all our projects and enables careful management of contractors during the lifespan of their respective projects. We have a team of almost 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.

4. MAXIMISE SHAREHOLDER VALUE
Our single-minded aim is to build the group's profitability, drive return on equity and maintain an appropriate capital structure, whilst offering attractive cash returns to all of our shareholders. We achieved strong levels of revenues and profits in 2016, enabling us to distribute cash dividends of over US$ 400 million.

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



DAMAC Tower with Interiors by Versace Home, Beirut

OUR MARKETPLACE

Since its inception, DAMAC Properties has created a stronghold in the top-end, luxury segment of the residential real estate market in Dubai and has a sterling reputation across the wider Middle East and, as our client base has become global over the years, also beyond. The DAMAC brand has become synonymous with luxury and quality at the highest level, resulting in global recognition for the design, architecture, style and also the sustainability of its growing portfolio.

DAMAC has a firm foothold in the luxury segment in Dubai but has been expanding that steadily in recent years to other Middle Eastern markets, like Qatar, the Kingdom of Saudi Arabia, Lebanon, Jordan, and in 2015 also in London (via DAMAC International). We do this selectively and in a disciplined manner where we feel we can further grow our brand name and achieve high returns for all stakeholders. This includes alliances with leading brands like Fendi Casa, Versace Home, Paramount Hotels & Resorts and The Trump Organization, among others.

GEOGRAPHICAL FOCUS ON GROWTH MARKETS

We derive more than 90% of our revenue from domestic projects in Dubai, our home market. Dubai is the most developed real estate market in the Middle East and provides us with ample opportunities to realise value for all stakeholders. We have selectively expanded into markets where we are convinced there is strong demand for our product, leveraging the DAMAC brand. We see strong global demand in our product coming from 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 of the world population is within an eight-hour flight radius. This strategic "hub" location, combined with world-class facilities and infrastructure like Dubai International Airport, the new Al Maktoum International Airport, Port Rashid and the Jebel Ali Port, has contributed to the magnificent growth Dubai has shown over the last few decades. It has become a world-class place to live, work, do business and certainly as a new 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 and witnessed a record 83.6 million passengers in 2016. Visitor levels have been increasing steadily over the years and recorded 14.9 million overnight visitors in 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 its infrastructure investments in 2017 by a substantial 27% over 2016. With growth in tourism and further population growth Dubai will continue on its path to become a leading global metropolis.

Despite persistent global economic challenges, the economy in Dubai had another year of steady real GDP growth in the region of 2.7% in 2016 and is forecast to grow at 3.1% in 2017. The relatively lower reliance on oil and related industries, a more diversified economy and supportive business environment will benefit Dubai in the years to come.

2016 was a year of further market consolidation and an extension of the trend, which started in mid 2014. The Dubai Government played an active role in cooling off what they perceived to be an overheated market using the monetary and fiscal tools at their disposal. In late 2013 the Dubai Government implemented more stringent mortgage caps with the aim to prevent further aggressive price increases that had been witnessed in the 2012-2013 period (after the severe 2009-2010 correction). At the same time the property transaction fees to be paid to the government were doubled from 2% to 4%.These actions contributed to the development of a more measured, stable and mature market. We feel this stabilisation is 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 has seen a bottoming out of the market with increasing sales volumes and the first signs of price stabilisation – and even increases in some sub markets. This trend was in line with our previous outlook for 2016. For 2017 we expect that the stabilisation witnessed in recent months will continue and slowly turn into a market

Incremental demand estimates of c.20,000 residential units p.a in Dubai

c.20,000 units

Actual average annual residential supply for last three years is 10 - 12,000 units

10 - 12,000 units

with low to mid single digit price increases, depending on location.

The bedrock of any market remains the fundamental supply / demand dynamic. Dubai's resilient population growth is driving estimates of a structural need for over 20,000 new homes every year. New home deliveries in the past three years have averaged 10 - 12,000 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 notable that the high end of the market, especially for older product, seems to be under more pressure than the more reasonable segment, which is loosely classified as a home priced between AED 1 – 2 million. Demand for this product, has been strong and and is driven by end users and not just investors. We see this as a healthy development, which will lead to a more mature and stable market.

Dubai's consistent levels of economic activity and structural shortage of quality housing means 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 their creation in 2008, RERA (Real Estate Regulatory Agency) and the DLD (Dubai Land Department), have turned the Dubai real estate market into one of the most secure and rational markets for real estate investors. Dubai continues to attract invetsment from other countries which do not always enjoy similar levels of stability and security. We see the current market situation in Dubai as an excellent opportunity for us to further solidify our position as one of the main developers of high quality real estate in a market with strong long-term fundamentals. We expect the dynamics to continue to drive demand for affordable and mid-market units in combination for continued demand for new and differentiated luxury product. We are confident we have the right product mix for this market for the years to come.

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

PORTFOLIO FOCUS

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

DAMAC PROJECTS IN DUBAI

COMPLETED

1. 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. DAMAC Maison de Ville Tenora
30. DAMAC Maison Upper Crest
31. DAMAC Maison Royale The Distinction
32. DAMAC Maison Bay's Edge
33. Royal Golf Boutique Villas

IN PROGRESS

34. DAMAC Hills
35. DAMAC Heights
36. DAMAC Towers by Paramount
37. Paramount Tower Hotel & Residences Dubai
38. DAMAC Maison Privé
39. Ghalia
40. Tower 108
41. Paramount Hotel Jumeirah Waterfront
42. DAMAC Maison de Ville Celestia
43. AKOYA Oxygen
44. DAMAC Maison Majestine
45. Avanti Tower
46. Merano Tower
47. AYKON City

IN PLANNING PROJECTS

48. Central Square
49. Madison Residences II
50. Safa Park Plot
51. Meydan
52. Parkside
53. Jumeirah Village Plot 1
54. Jumeirah Village Plot 2
55. Cultural Village

DAMAC HILLS

A choice of luxurious lifestyles in the Beverly Hills of Dubai

DAMAC Hills is a luxury lifestyle golf community development located within 15 minutes of the centre of Dubai, off the Umm Suqeim Expressway. The 42-million-square-foot development aspires to be the most luxurious golf community in Dubai, offering premium branded mansions, villas, townhouses and apartments, in addition to entertainment and retail facilities.

The DAMAC Hills development, built around the 18-hole Trump International Golf Club Dubai, was named 'Best Golf Development' in the world at the International Property Awards in London in recent years and in 2016 received a 'highly commended' recognition for Golf Development in the Africa and Arabia Property Awards hosted in Dubai. The contemporary master plan continues to attract worldwide interest for its mix of residential units, comprising over 4,000 luxury villas and 7,500 condominiums, 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.

DAMAC is working with a number of global brands on projects for DAMAC Hills, such as Paramount Hotels & Resorts, Fendi Casa and The Trump Organization, each having their own branded living concepts within the development.

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

Prominent features of its design include:

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

DAMAC Hills is designed to contain a total saleable area of 17.3 million square feet and is scheduled for completion in multiple stages up to 2019. Over 2,000 units have been completed, including the first clusters of villas and apartments in low to mid-rise buildings, with many in advanced stages of progress, scheduled for completion soon.

Golf clubhouse at DAMAC Hills

A villa at DAMAC Hills

AKOYA OXYGEN

The 55-million-square-foot project offers 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. Energy-efficient homes are surrounded by lush landscaping and cascading water features.

Located off the Umm Suqeim Road extension and around 15 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.

Hajar Villa at AKOYA Oxygen

Vista Lux at AKOYA Oxygen

Construction as of March 2017

Villa options at AKOYA Oxygen

The Trump World Golf Club Dubai, which will run through the heart of the project, will be managed by the Trump Organization – one of the most reputed names in golf course management, and designed by Tiger Woods, one of the most successful golfers in the history of the game.

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, offering 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's green-living credentials set the development apart, offering lresidences utilising recycled materials and solar energy, making it the first green luxury residential address in Dubai.

Homes will be built according to Dubai's Green Building Regulations & Specifications with energy-efficient materials, low-emission paints, energy efficient lighting and air conditioning, solar heated water systems and landscape irrigation. The road network within the development, meanwhile, is designed in a way to minimise pollution, while there will be dedicated spaces for bicycles and hybrid as well as electric cars.

AYKON CITY

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

AYKON City is a four-million-square-foot development four-tower development, located on Sheikh Zayed Road and overlooking the Dubai Canal. The mixed-use lifestyle development, which is set to become a new architectural icon in the business district of the city, offers a unique lifestyle concept to become a hospitality, residential, lifestyle and entertainment destination when it is completed in 2021.

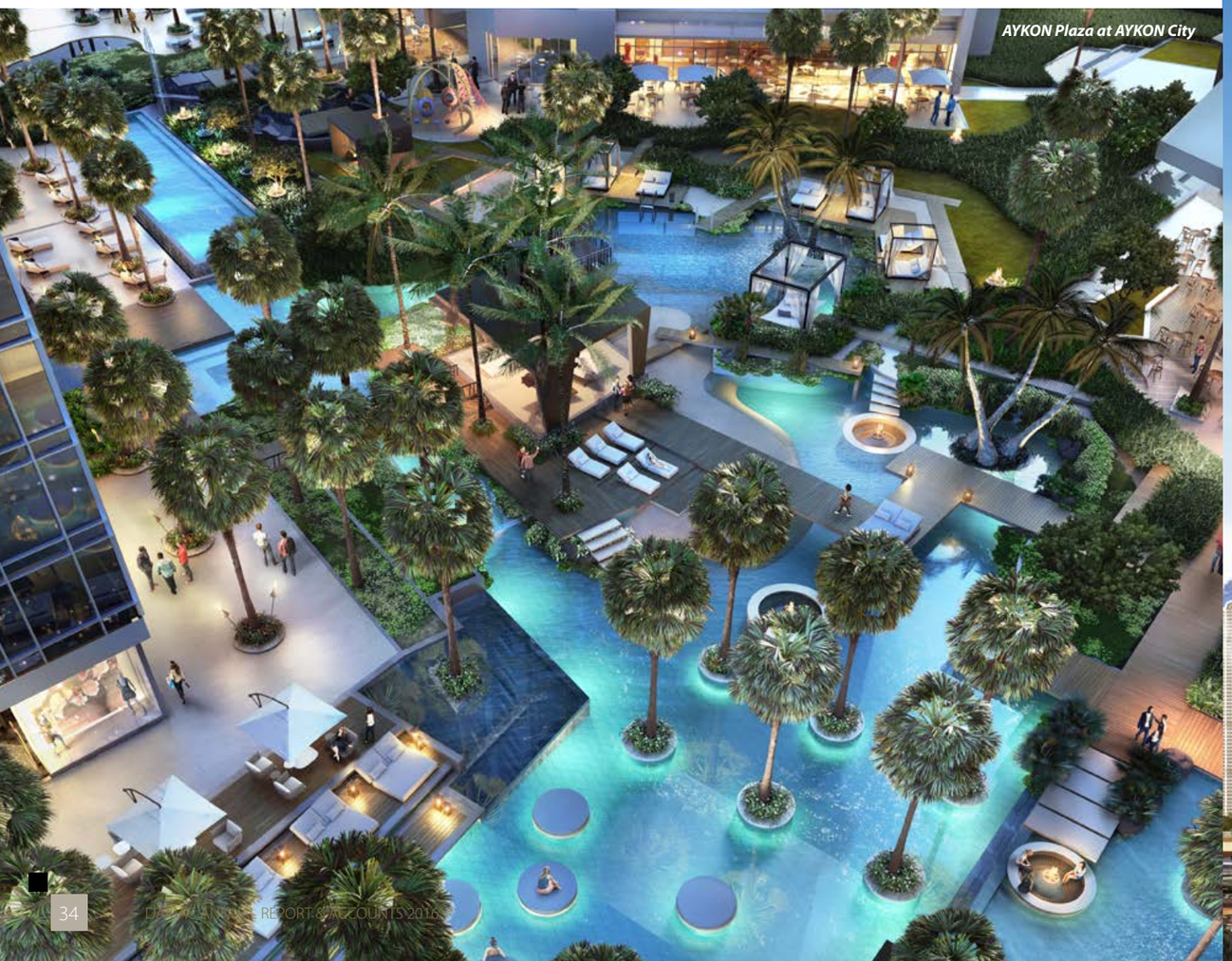
AYKON City comprises Dubai's first all-suites, 80-storey AYKON Hotel & Hotel Apartments, a 63-storey DAMAC Maison de Ville Hotel & Hotel Apartments, a 65-storey office tower, in addition to a 60-storey apartment tower, offering luxury studios, one, two and three bedroom residences.

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

The central location of Sheikh Zayed Road and Dubai Canal allows investors to benefit from a wide range of infrastructure and facilities in and around it, with maximum connectivity and accessibility by car, metro or water taxi.

The award-winning project, which received recognitions by Africa and Arabia Property awards hosted in Dubai in 2016, recognised AYKON Hotel & Hotel Apartments for "Best Hotel Architecture" and AYKON City for "Best Mixed-Use Architecture."

Taking centrestage at the development will be the first-of-its-kind AYKON Dare, that will become the next exciting attraction for thrill-seekers in Dubai. Located on level 80 of the AYKON Hotel & Hotel Apartments tower, is AYKON Dare with breathtaking views from 935 feet (285 metres) above Sheikh Zayed Road, Safa Park and the Dubai Canal.



AYKON Plaza at AYKON City

DAMAC TOWERS BY PARAMOUNT HOTELS & RESORTS DUBAI

The striking towers overlook the popular Burj area

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

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

DAMAC Towers by Paramount Hotels & Resorts will include exclusive access to landscaped and pool areas, numerous health facilities, on-site parking and a variety of high-end dining establishments. The project has been designed to offer over 1,900 units (including the hotel) with a total saleable area of circa 2 million square feet.

Among the numerous awards this project has won, the latest accolade was being named "Tower Project of the Year" at the Construction Week Awards in 2016, in recognition of construction best practice, safety and use of innovative technologies.

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

The successful collaboration between DAMAC and Paramount extends across various projects, including Paramount Tower Hotel & Residences, launched in 2015.

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

The 64-storey, 867-key tower comprises retail on the ground floor, a hotel and residences, along with an array of signature Paramount Hotels & Resorts amenities for guests and residents alike. The project is scheduled for completion in 2020, with China State Construction Engineering Corporation (Middle East) LLC awarded an AED 554 million contract to build the 27 floors that comprise the collection of luxury residences.

Construction as of March 2017

Lobby at DAMAC Towers by Paramount Hotels & Resorts

DAMAC HEIGHTS / DAMAC RESIDENZE

DAMAC RESIDENZE
DUBAI MARINA

Interior Design by FENDI CASA

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

DAMAC Heights is located in Dubai Marina overlooking the Palm Jumeirah. This project also has views the full-length of Dubai Marina. The signature tower offers customers the opportunity to acquire a variety of one, two, and three bedroom apartments in Dubai. The project is nearing completion and is expected to be delivered in 2017.

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

Construction as of February 2017

DAMAC ESCLUSIVA

DAMAC ESCLUSIVA
RIYADH

Interior Design by FENDI CASA

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

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

The Company's intention is for DAMAC Esclusiva to provide some of the most exclusive and luxurious high-rise residential units in Saudi Arabia, due for completion in 2017.

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

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

Construction as of February 2017

DAMAC Maison Mall Street

"A hotel room or apartment is a great investment that taps into the growing tourism sector, promising high returns."

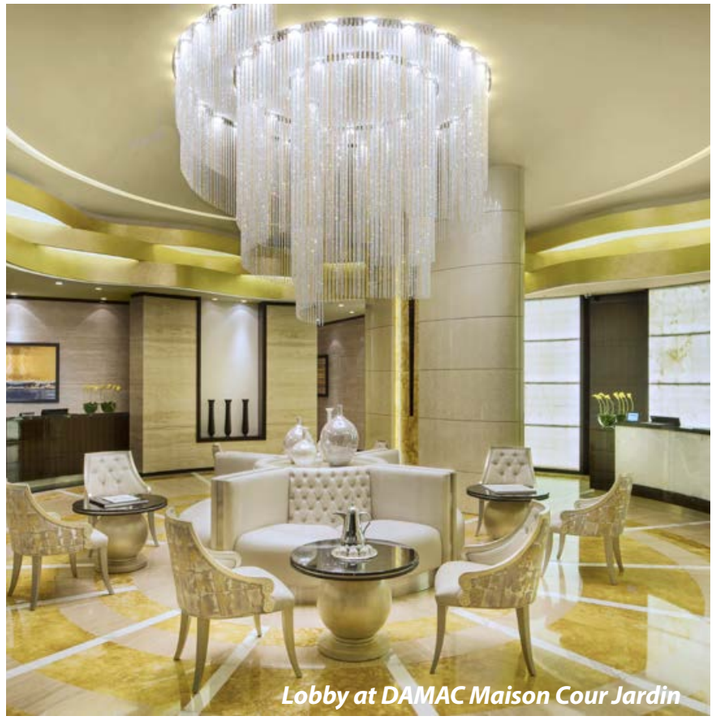
DAMAC MAISON HOTELS & RESORTS

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

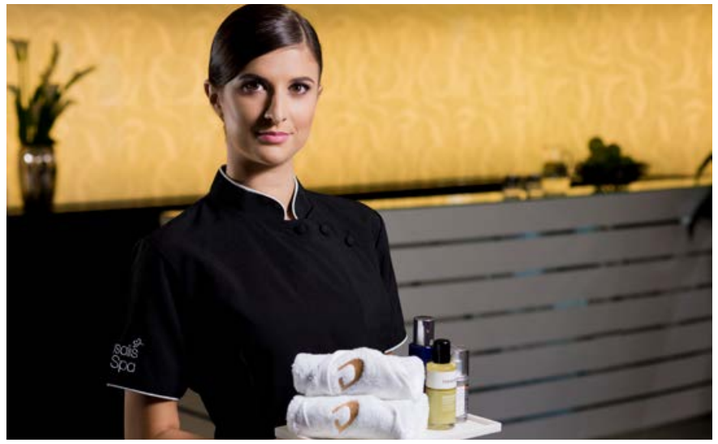
The hospitality arm of DAMAC Properties, DAMAC Hotels & Resorts, operates six luxury properties comprising serviced apartments under four distinct hospitality brands, namely DAMAC Maison, DAMAC Maison Royale, DAMAC Maison de Ville and the super-luxury AYKON Hotels & Resorts. Ideally located in the heart of Dubai, the properties serve families and business travellers throughout the year. More projects are set to open in 2017, adding an additional 900 keys to the existing portfolio of 1,500 hotel rooms and suites in operation.

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

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



Lobby at DAMAC Maison Cour Jardin



BUSINESS REVIEW

// OUR PERFORMANCE OVER THE YEAR
// DAMAC'S PEOPLE AND ORGANISATIONAL DIVISIONS
// RISK MANAGEMENT

Park Villas at DAMAC Hills

OUR PERFORMANCE OVER THE YEAR

2016 was the year that we cemented our position as a successful master developer, with the delivery of more than 2,000 villas and apartments in DAMAC Hills, the 42-million-square-foot international golf community

STATE OF DUBAI REAL ESTATE MARKET

During 2016, the Middle East region continued to face rather challenging conditions in general, impacted by a combination of geopolitical and economic issues. Nevertheless, Dubai is often considered as the number one safe haven in this region, and we continue to benefit from this, as investment demand for real estate remains strong. It is clear that the rapid growth phase in real estate prices as witnessed from 2011 to mid-2014 is behind us, for now, but the more recent stabilisation of prices after a period of mild decline is very promising. What is even more encouraging is the recent clear uptrend in sales and transaction volumes in the market.

2016 was another year of lower-than-expected housing supply, with around 14,000 new units handed over in the entire Dubai market. Although this was substantially higher than the circa 8,000 units we have seen in the years 2013-2015, it once again demonstrates that under-supply does in fact exist in the market – since the population is growing by approximately 4-5% per year, a rate that still outpaces the change in supply. Dubai would need to add in the range of 20,000 - 25,000 units yearly to its current residential stock of just under 500,000 homes to meet demand. Leading real estate brokers unanimously highlight the fact that materialisation rates for Dubai typically run at around 30-50%, a number that indicates that many announced projects result in either cancellation or delays, which in turn reduces the number of actual annual handovers. For 2017, we foresee the number of new deliveries into the Dubai market will be in line with last year's.

One of the leading sectors in Dubai is tourism and there we have seen another year of growth where the number of visitors increased from 14.2 million in 2015 to 14.9 million in 2016 – a healthy 5% increase. If we break down the growth year-over-year, it is interesting to note that significant contributors are leading economies such as India, Pakistan and China, all sources of double-digit growth in 2016 versus 2015. 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 global world-class events that will help support the market and real estate sector through 2020 and beyond.

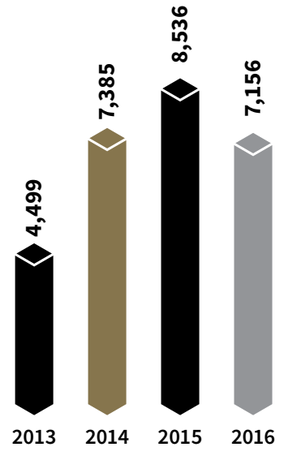
Dubai continues to be an attractive destination for its strategic geographical location, world-class infrastructure, diversified economy with less reliance on oil, multi-national population and established trade relations with leading foreign countries. The real estate sector, a large contributor to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

OPERATIONAL ACHIEVEMENTS

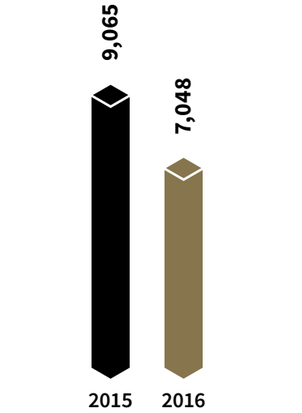
2016 was the year that we cemented our position as a successful master developer with the delivery of more than 2,000 villas and apartments in DAMAC Hills, the 42-million-square-foot international golf community.

DAMAC Maison de Ville Tenora, a luxury serviced hotel apartment tower strategically located in close proximity to Al Maktoum International Airport, was the first-ever project in Dubai South to be completed and handed over.

In addition, more than 600 hospitality units were delivered in DAMAC Maison Royale The Distinction and DAMAC Maison Bay's Edge. As at 31st December 2016, we achieved more than AED 7 billion worth of booked sales, including those in residential and hospitality projects within AYKON City, a four-million-square-foot development comprising four towers, located on Sheikh Zayed Road and overlooking the Dubai Canal.

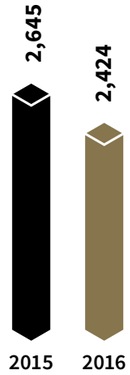


[REVENUE AED MILLION]



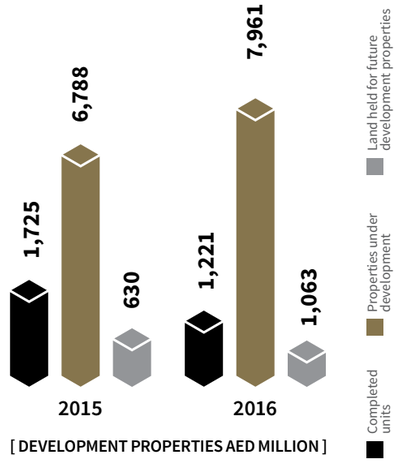
[BOOKED SALES AED MILLION]

...Challenging macro-economic conditions resulted in lower booked sales in 2016 vs 2015



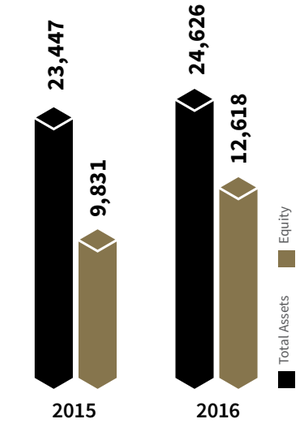
[DELIVERIES]

...Delivered over 2,400 units during 2016. This includes deliveries of over 1,600 units in DAMAC Hills



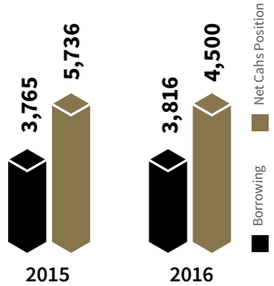
[DEVELOPMENT PROPERTIES AED MILLION]

...Continue to invest in project execution backed by disciplined cash management approach



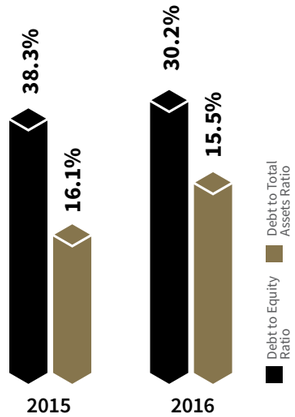
[EQUITY & TOTAL ASSETS AED MILLION]

...Continue to grow Shareholder's Equity and Total Assets



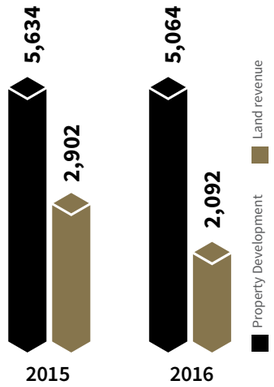
[BORROWINGS & NET CASH POSITION AED MILLION]

...Largely unchanged debt balance. Continues to maintain net cash position backed by strong cash and bank balances



[LEVERAGE RATIOS %]

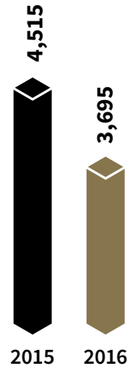
...Conservative leverage ratios



[COMPONENTS OF REVENUE AED MILLION]

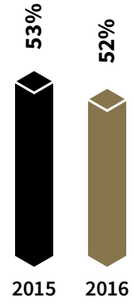
[GROSS MARGINS %]

...Gross Profit Margin remains strong at over 55% levels



[NET PROFIT AED MILLION]

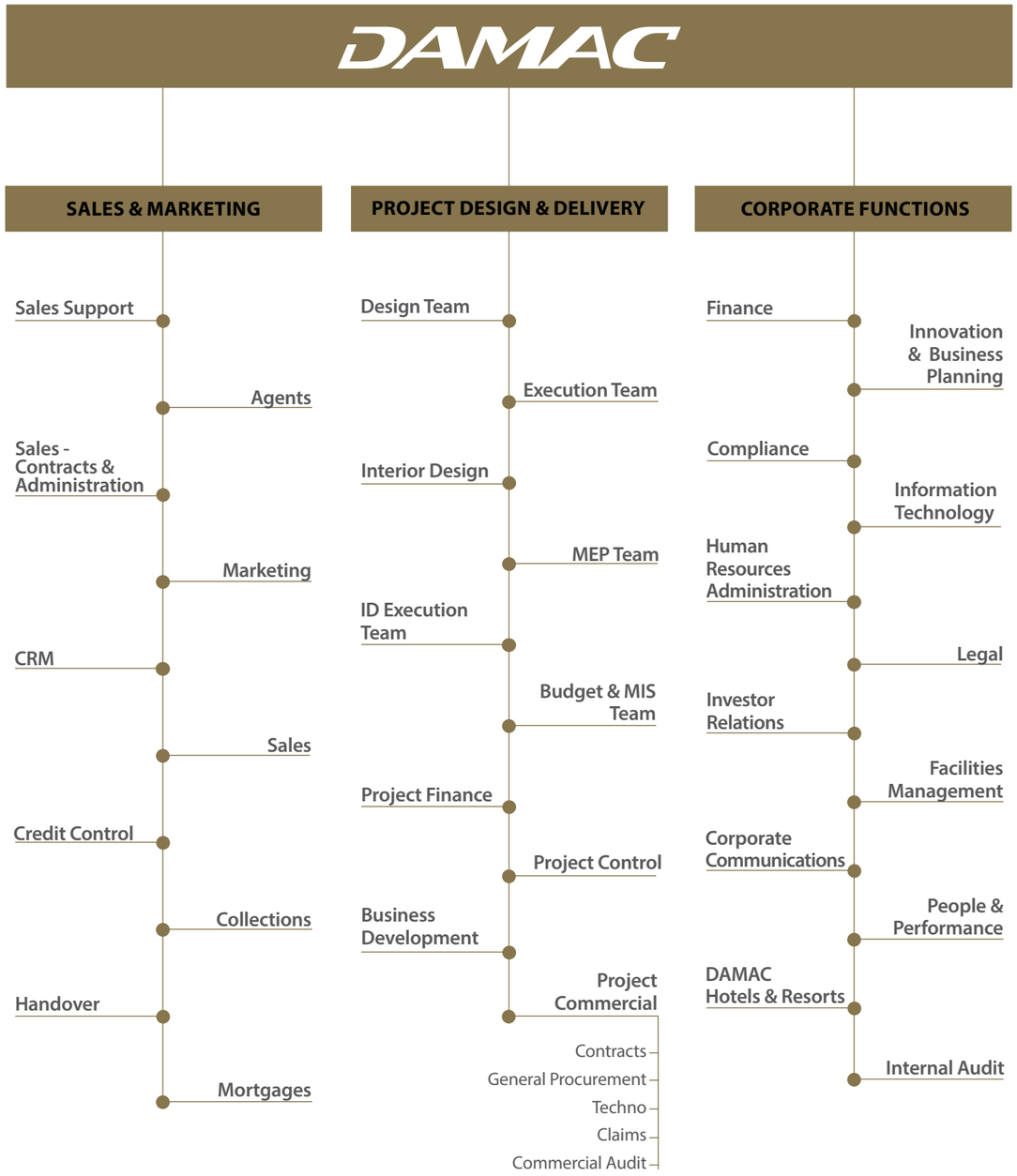
...Net Profit declines primarily due to lower revenues but net profit margin remains strong at over 50% levels



[NET PROFIT MARGIN %]

Industry-leading margins

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 RELATIONSHIP MANAGEMENT

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

SALES

The Sales team of over 600 is responsible for working with prospective clients to provide the best luxury living products for their needs. The team works from 12 global sales centres, with the focus in Dubai, utilising current contact networks with support from the marketing team to identify and convert prospects. This is supported by a pro-active and extensive sales roadshow campaign, which encompasses many countries from key target demographics. The team works with sales agents from around the world to provide information and support lead generation, but it is the sales person who is tasked with converting the identified potential customers into buyers.

AGENTS

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

MARKETING

DAMAC's Marketing talks to potential buyers in their home countries, utilising a 360-degree approach, through online and social media, in addition to more traditional TV, print and outdoor advertising. DAMAC prides itself on a strong in-house team of professionals that can quickly respond to market dynamics and capitalise on opportunities in many countries. The Company also has a strong face-to-face presence in the most popular tourist areas of Dubai; from the Dubai International Airport through to Dubai's busiest shopping malls. DAMAC has a strong presence too through sales roadshows in countries including India, Pakistan, China, the United Kingdom, and across the GCC, as well as Dubai. These activities are supported by a proactive database marketing campaign through a pre-qualified list of around 250,000 contacts. DAMAC's online and offline campaigns are highly-effective in reaching up to100 million potential customers each month through more than 10 touch points across 25 countries.

This is supported by a strong social media presence, which provides access to our core audience while they are in their home countries. DAMAC's Facebook page now includes more than 300,000 fans and is supported by communication across Twitter and YouTube. Contacts and potential leads are driven to the Company website – www.damacproperties.com – which saw 1.5 million visitors in 2016. DAMAC Properties has also continued its strong awareness programme across Dubai, with powerful outdoor advertising in key locations, primarily on the routes from the airport to the top tourist destinations.

SALES CONTRACT AND ADMINISTRATION

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

CREDIT CONTROL

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

PROJECT MANAGEMENT

Nearly 500 staff members are part of the Project Management division, tasked with the smooth development of the Company's projects. This includes the full procurement processes, working with contractors and sub-contractors on staffing and supply lines to ensure a smooth flow of delivery.

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

FINANCE

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

INNOVATION & BUSINESS PLANNING

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

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

HUMAN RESOURCES

DAMAC's Human Resources division includes the Talent Acquisition team, which is mandated with corporate manpower planning and recruitment for the Company's local and international locations, while the day-to-day operational and service requirements of the staff are taken care of by the HR Operations team. The reach of this function spans from on-boarding, up to the separation of the employee from the Organisation, in addition to Payroll responsibility.

PEOPLE AND PERFORMANCE

The vision of the People and Performance function is to establish a learning and performance-driven culture where every employee finds the opportunity and is provided the support to participate, contribute and grow with our Company.

The department's core focus areas are Compensation and Performance Management, Employee Relations and Engagement, Organisational Development and Learning and Development.

INFORMATION TECHNOLOGY

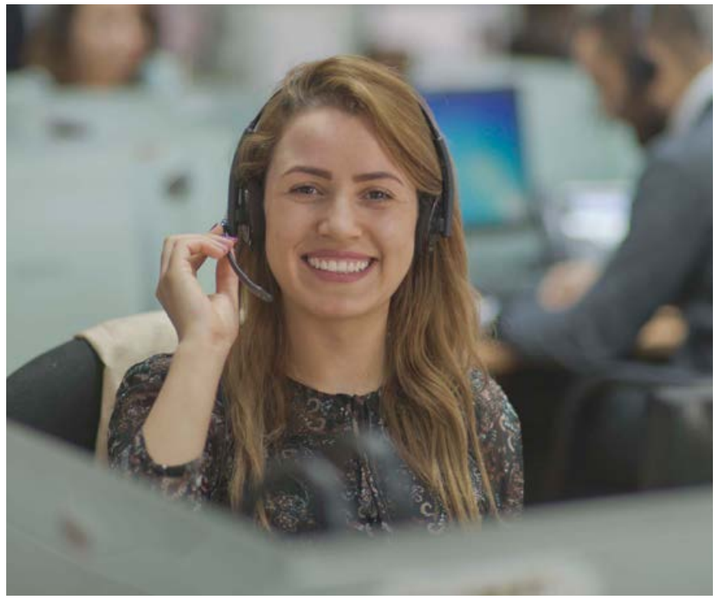
DAMAC's in-house IT team is responsible for maintaining a secure, fast and efficient technology service to all departments and employees to enhance workflow and efficiency. This covers the research, purchase and implementation of the latest software to keep DAMAC at the forefront of efficiency and service in addition to providing day-to-day pro-active maintenance of current systems and hardware.

LEGAL

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

CORPORATE COMMUNICATIONS

DAMAC's Corporate Communications division is responsible for all the day-to-day in-house and external communications relating to the Company. The team works with a wide array of local and international press and broadcast media to ensure a consistent positive message flow. The department is also charged with all brand management, reputational risk, investor relations, annual reporting, regulatory filings, CSR, crisis communications and speech writing. The team works closely with DAMAC's brand partners, including Versace 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 handling all interactions with shareholders, analysts, investors and potential investors as well as other capital markets community members. This includes analyst and investor roadshows, attending investor conferences across the globe, along with financial public relations. DAMAC is also a member of Middle East Investor Relations Society (MEIRS).

FACILITIES MANAGEMENT

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

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

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

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

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 profile 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 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 with 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 standards 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 and Risk Committee of the Board, which comprises Independent Directors.

DAMAC HOTELS & RESORTS

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

RISK MANAGEMENT

Risk Management is an integral part of DAMAC's business culture whether at a strategic or operational level; this 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.

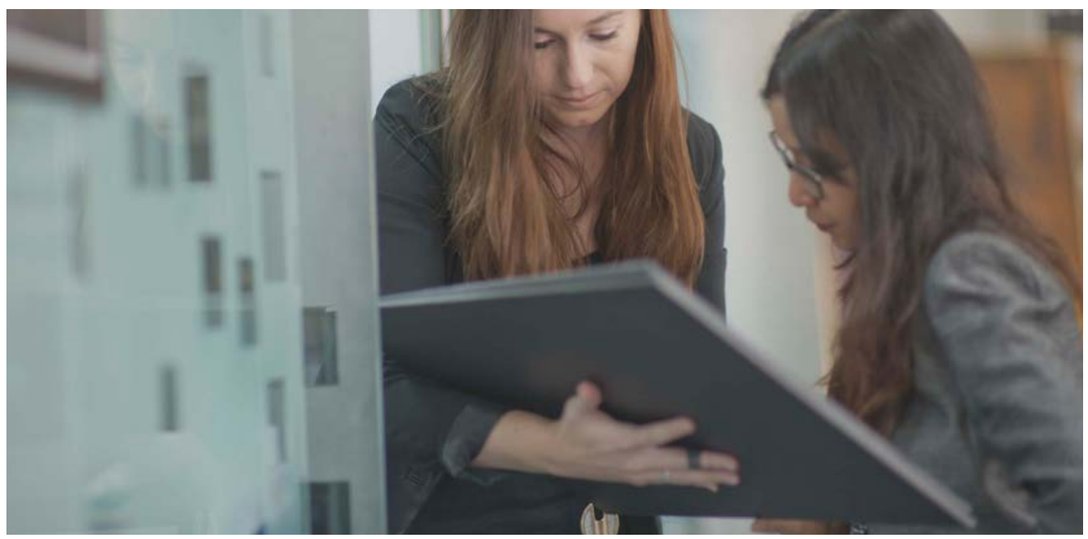
With the continuing efforts of the Board, the management and the staff, the Company has established a complete and effective operating risk management and internal control system. The risk management approach is based on a clear understanding of the variety of risks that the Company faces, disciplined 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	• Dubai is an attractive real estate investment location for buyers across the globe. The Dubai economy has lesser dependence on oil and the government plans to increase infrastructure allocation by 27% from 2016, to reach 17% of total government expenditure. Dubai is scheduled to host the mega event Expo 2020, which will act as a catalyst in the near future. • Regulators and real estate regulations in Dubai aim to promote and maintain a healthy real estate market over the longer term, reduce speculations and safeguard developers' as well as consumer interests. • 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 London real estate market through a joint venture in 2015 and we have calculated plans for Saudi Arabia and Qatar.
DAMAC's business is dependent upon the wealth of domestic and international property purchasers and investors. This can lead to sales and related risks	• A growing population, an influx of expatriates, a growing GDP and rising employment levels create structural demand for housing in Dubai. The emirate's completed housing supply has increased at 2.4% p.a over the last three years ending 2015, as opposed to population growth estimates of 5% p.a over the same period. Dubai housing stock is estimated to be 471K units as at the end of 2016. • High rental yields, as compared to the rest of the world, continue to attract investment-led demand (6-10%). • We have a strong in-house sales force of over 600 people, which helps us exclusively sell DAMAC products, in addition, we also extensively use our broker network and have access to a huge customer database, which we have built over our 15 year history. 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 2016 we conducted almost 400 events in 60 cities).
Political instability in the Middle East, and the impact of lower oil prices have heightened the social, economical and geo-political risks	• Dubai is seen locally as a safe haven for individuals from the rest of the Gulf Cooperation Council (GCC) and other Middle Eastern countries, but also, increasingly as an alternative dollar denominated jurisdiction for wealthy high-net worth families and their investments from around the world. • Dubai is politically more stable than its GCC peers. His Highness Sheikh Mohammed bin Rashid Al Maktoum recently completed 10 years as Ruler of Dubai. Under his visionary leadership, Dubai has transformed itself on a global landscape and has grown in popularity as a leading business, residential and travel hub.
Real Estate is an attractive industry and may attract competition from existing and new players	• Real estate in Dubai is highly regulated with relatively high barriers to entry for new developers. • DAMAC has built its brand and delivered over 17,900 units over the past 14 years. It is one of the trusted real estate brands in the UAE. Our industry-leading margins are attributable to our efficient project execution. • We welcome competition as it keeps the market healthy and gives buyers choice to make an informed decision among various available alternatives.
Expansion into new markets can be challenging due to a lack of familiarity with culture and the economic condition of new markets	• Outside the UAE, DAMAC has already completed and delivered projects in the Kingdom of Saudi Arabia and Qatar. These are our two primary markets outside of UAE, which meet DAMAC's criteria of a high growth economy with demand for luxury products. • In London DAMAC is exploring the market as a minority partner in the joint venture entity undertaking the AYKON London One project.
The inability to replenish the land bank threatens going concern ability	• DAMAC carefully and continuously evaluates its land bank portfolio. Prudent land purchases are undertaken to replenish the depleting land inventory, at freehold locations, at reasonable prices to ensure financial viability of the project. We are currently sitting on 5.4 years of land bank inventory. • The government owns the majority of the land in Dubai, and sales of land are one of the major sources of revenue for it. • The management is dynamic and adjusts to the market environment to create products in line with prevalent demand conditions.

2. PROJECT RISKS

NATURE OF RISK	HOW WE MANAGE THE RISK
Execution risk can result in projects under development to be delayed, suspended or terminated	• DAMAC's management ensures compliance with all development regulations and meeting customer expectations alongside maintaining the quality of our developments. • We engage world-class contractors, and sub-contractors with demonstrated ability to execute and continuously monitor their progress to abide by project timelines and delivery schedules. • Financially, we aim to cash de-risk a project by sufficient off-plan sales and cash collections as early as possible in project lifecycle. This helps in avoiding any funding constraints during development of the project .
The Company has no prior experience of being a master developer. DAMAC Hills is the first lifestyle community development by DAMAC spanning over 42 million square feet	• Execution progress at DAMAC Hills is on track as planned. Many project milestones have been met within the set deadlines. The project was launched for off-plan sales in June 2013 and over 2,000 villas and apartments were completed. • Our progress and experience in DAMAC Hills helped us in seeking another 55-million-square-foot development, AKOYA Oxygen. We launched this master development for off-plan sales in August 2014, less than a month from its acquisition date, which is reflective of our in-house capabilities.
DAMAC depends on third party contractors and sub-contracts to deliver its projects	• Contractors thoroughly screened before and during engagement process. • DAMAC's in-house technical team of nearly 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% 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	• DAMAC has launched many co-branded residential units with various global luxury brands such as Versace Home and Fendi Casa; DAMAC is not dependent upon any single brand. • Branded units constitute a small percentage of the overall DAMAC project pipeline.



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	• Collection of instalment payments from purchasers (on average 20% of unit value) results in significant upfront payment from customers thus minimising risk of default. • 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. • Title deeds on sold properties are only transferred when all payments are made.
Leverage – excessive use of debt and inability to service debt commitments	• 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, a listed sukuk instrument traded on Nasdaq Dubai. • We have always maintained a net cash position since 31st December 2012. As at 31st December 2016 we have gross debt of AED 3,816 million and cash and bank balance of AED 8,316 million .
Foreign exchange risk – foreign exchange fluctuations pose a risk in a volatile exchange rate environment	• The Company has some projects in other Middle East countries apart from the UAE but the majority of the Company's revenues, costs and capital expenditure are either priced, incurred, payable or otherwise measured in AED, which is USD-pegged.
Cash flow constraints – insufficient cash to fund project development	• 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 on each project on its individuality and totality basis. It seeks to cash de-risk a project / phase from a construction cost perspective before launching a new phase / project. • Management also forecasts cash flows and uses debt to bridge the timing gap and to meet working capital requirements.
Inability to pay deferred consideration for land payments and other contractual commitments	• 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 planned initially to cater to our sales velocity and requirements. • Contractual commitments are structured whereby exits are negotiated at comfortable / manageable levels.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

DAMAC's Board has more than 100 years wealth 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, and others. 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 and Executive Member

Mr Adil Taqi
Group Chief Financial Officer and Executive Member

Mr Ziad El Chaar
Managing Director 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

CORPORATE GOVERNANCE

DAMAC acknowledges the importance of good governance and follows the corporate governance best practices in compliance with the Resolution No. 7 / R.M 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 DAMAC'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 and Risk Committee ('ACR Committee')

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

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

During 2016, the following meetings took place:

- The Board – 05 meetings
- Audit Risk and Compliance Committee – 05 meetings
- Nomination and Remuneration Committee – 03 meeting

The Board held meetings at least once every three months in the year 2016. Board and Board Committee meetings had majority attendance by members' participation.

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

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

Board constitution and procedures

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

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

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.

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

Audit Compliance and Risk Committee

The Board of Directors has constituted a committee of the Board known as the Audit, Compliance and Risk Committee ('ACR Committee'). The ACR Committee comprises the following Board members:

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

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;

d) Co-ordinate with the Board, the executive management and the financial manager or the manager assuming the same duties in the Company in order to duly fulfill its duties. The Committee shall hold a meeting with the Company's external auditor at least once per annum;

e) Consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the Compliance Officer, the Risk Officer or the external auditor;

f) Review the Company's financial control, internal control and risk management systems;

g) Lay down the scope of and review the findings and suggestions of the Compliance Officer and suggest appropriate corrective measures to the management of the Company;

h) Lay down the scope of and review the findings and suggestions of the Risk Officer and suggest appropriate corrective measures to the management of the Company;

i) Discuss the overall internal control system with management and make sure that it fulfills its duty to develop an effective internal control system;

j) Consider findings of main investigations into internal control issues to be assigned thereto by the Board or at the initiative of the Committee upon the approval of the Board;

k) Ensure co-ordination between internal and external auditors, ensure availability of necessary resources for internal audit body, review and control the efficiency of this body;

l) Review the Company's financial and accounting policies and procedures;

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

n) Make sure that the Board responds on a timely basis to enquiries and material issues raised in the external auditor's mission;

o) Develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations;

p) Oversee the scope of the Company's compliance with its code of conduct and conflict of interest by the Board members and management of the Company;

q) Ensure application of the rules of operation in connection with their duties and powers assigned thereto by the Board;

r) Make a report to the Board on the issues set in this clause;

s) Consider any other issues as the Board may determine.

The ACR Committee met five times during the year 2016, the minutes of the meeting were recorded and approved. The Chairman of the ACR Committee periodically presents its report on the outcome of the ACR Committee to the subsequent Board meeting held after each ACR Committee meeting and provides recommendation on periodic financials and other matters.

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors has constituted a committee of the Board known as the Nomination and Remuneration Committee. The N&R Committee is comprised of the following Board Members and met three times during 2016:

S.N.	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 as well as this Resolution.

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

Park Towers DIFC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

In preparing the financial statements the Directors are required to:

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

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

Mr Hussain Sajwani
Chairman

Mr Adil Taqi
Group Chief Financial Officer

SHAREHOLDER INFORMATION

A. UPCOMING GENERAL MEETING OF DAMAC PROPERTIES DUBAI CO PJSC

DATE	16 April 2017
VENUE	The Westin Dubai Mina Seyahi Beach Resort
TIME	5-7pm

B. TICKER AND CODES OF DAMAC PROPERTIES DUBAI CO PJSC

DAMAC equity shares are listed on Dubai Financial Market (DFM). As on 31 December 2016, DAMAC has 6,050 million authorised, issued and fully paid shares of AED 1 each.

DFM CODE	DAMAC
BLOOMBERG TICKER	DAMAC UH
REUTERS TICKER	DAMAC.DU

DAMAC Sukuk certificates are listed on Nasdaq Dubai and the Irish Stock Exchange under the name of Alpha Star Holding Limited. As at 31 December 2016, DAMAC has US$ 650 million-worth of listed Sukuk certificates outstanding. These were issued in April 2014 with a five-year tenure and 4.970% p.a. coupon payable semi-annually.

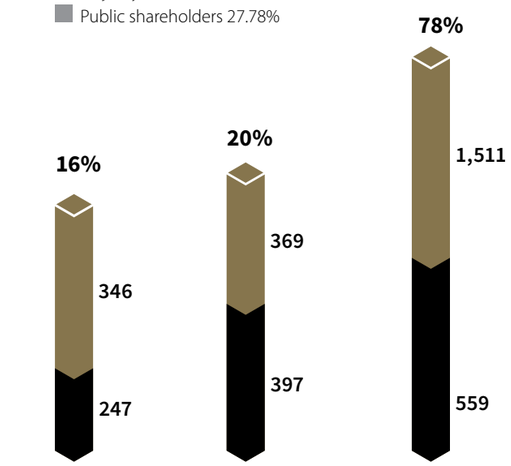
NASDAQ DUBAI CODE	DAMACR419USD
IRISH STOCK EXCHANGE SEDOL	BLD35Z2

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

PERIOD	CASH DIVIDEND	CASH DIVIDEND PER SHARE (AED)	BONUS SHARES
FY 2014	NIL	NIL	10%
FY 2015	25%	0.25	10%
FY 2016*	TBD	TBD	TBD

D. SHAREHOLDING DETAILS OF DAMAC PROPERTIES DUBAI CO. PJSC

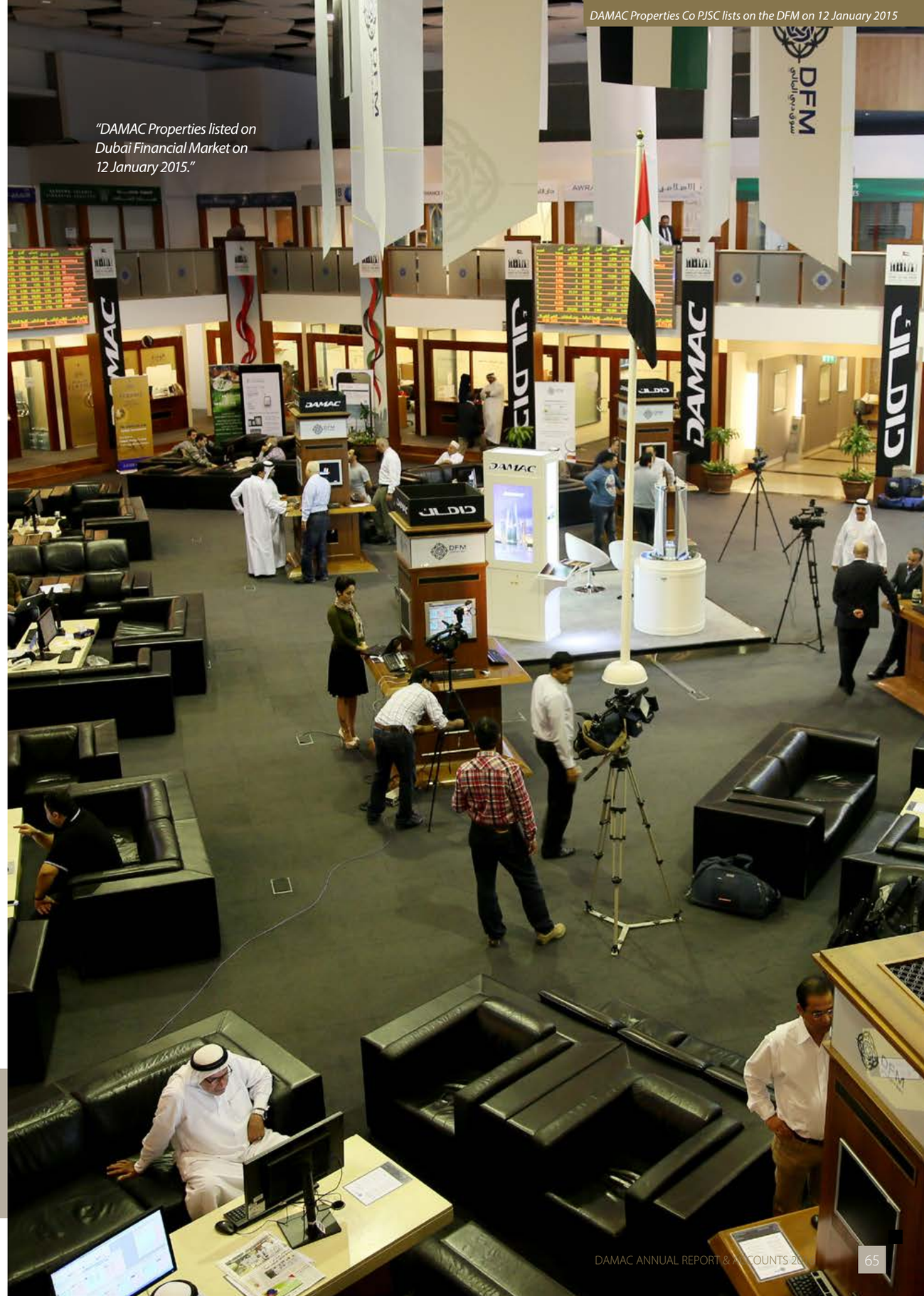
Majority shareholders 72.22%
Public shareholders 27.78%



Capital Appreciation (US$ million)
Cash Dividend Payout (US$ million)

** A cash dividend of AED 0.25 per share for the year ended 31 December 2016 was proposed by the Board of Directors on 13 February 2017, 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 and quote your National Investor Number (NIN) as per DFM records.



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

"DAMAC Properties listed on Dubai Financial Market on 12 January 2015."

CONSOLIDATED FINANCIAL STATEMENTS

DAMAC PROPERTIES DUBAI CO. PJSC

DAMAC Hills

DAMAC PROPERTIES DUBAI CO PJSC
DUBAI - UNITED ARAB EMIRATES

Consolidated financial statements and independent auditor's report
For the year ended 31 December 2016

Directors' Report

The Board of Directors has 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 2016. Profit for the year is AED 3,694.6 million (2015: AED 4,514.8 million).

Principal activities

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

The movement in retained earnings is as follows:

	AED'000	AED'000
Balance at 31 December 2015		8,160,080
Profit for the year		
• Revenue	7,156,182	
• Cost of sales	(3,159,129)	
• Interest and other income	754,841	
• Expenses	(1,057,247)	
Total		3,694,647
Transfer to statutory reserve		(100,553)
Transfer (Note 13)		(4,912,810)
Cash dividend (Note 30)		(907,500)
Balance at 31 December 2016		**5,933,864**

On behalf of the Board of Directors

Mr Hussain Sajwani
Chairman

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 2016, 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.

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 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"s). 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 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.

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
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 (i.e. the forecast selling price less the remaining costs to build and sell). An assessment of the net realisable value of the development properties is carried out at each reporting date by an external valuation firm. 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, which comprise development properties located in UAE, KSA, Qatar, Bahrain, Lebanon, Jordan and Iraq are not uniform in nature, and therefore a number of different assumptions are made by the Group's external valuers in determining its fair value. 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. 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 Valuer used by the Group is a well-known firm, with considerable experience in the region. 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.	*Experience of Valuer and relevance of their work* 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. *Data provided to the Valuer* 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. *Assumptions and estimates used by the Valuer* We reviewed the Valuer's report independently of management and challenged the valuation methods and assumptions. The nature of assumptions used varies across the portfolio depending on the nature of each property but they include services, legal title, ground conditions, environmental considerations, planning and high-way access. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the Valuer against our own expectations, using evidence of comparable market transactions. Where we identified estimates and assumptions that are outside the typical ranges used, we discussed these with the Valuer to understand the rationale. Our testing involved the use of our internal real estate valuation specialists, who reviewed the estimates and assumptions used in the context of the Group's development properties.

Key audit matters (continued)

Key audit matter	How the matter was addressed in our audit
Revenue recognition	
The Group has early adopted International Financial Reporting Standard 15: *'Revenue from contract with customers'* (IFRS 15). 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. Satisfaction of performance obligations is one of the key management judgments and allocation of the transaction price to each performance obligation is a key estimate involved in the Group's revenue recognition. *Satisfaction of performance obligation* The Group assesses each of its contracts with customers to determine whether performance obligations are satisfied over a period of time or at a point in time in order to determine the appropriate method for recognising revenue. The Group makes an assessment based on the contracts entered into with customers and provisions of relevant laws and regulations, the Group recognises revenue over time where contracts are entered into for development of properties, the Group does not create an asset for an alternate use to the Group and has an enforceable right to payment for performance completed to date. Where the above criteria are not met, revenue is recognised at a point in time and the Group needs to make an assessment as to when the performance obligations of the Group under the contract are satisfied.	In responding to this area of focus our procedures included the following: For a sample of contracts; ▪ 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 using the input method and compared it with the calculation performed by the management; and ▪ reviewed and challenged that the basis of estimation used for assessing the total cost to complete the respective projects are reasonable.

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 Board of 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 thereon. 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 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 ISA's, 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 risk, 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 evidenced 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 and 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.

Deloitte.

Report on other legal and regulatory requirements

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 3.12 and 10 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2016;

vi. note 17 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;

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 2016 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 2016; and

viii. note 20 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2016.

Deloitte & Touche (M.E.)

Cynthia Corby
Partner
Registration No. 995
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	2016 AED'000	2015 AED'000
ASSETS			
Property and equipment	6	**58,742**	63,875
Development properties	7	**10,245,064**	9,143,770
Other financial assets	8	**1,016,628**	788,655
Trade and other receivables	9	**4,804,278**	3,803,432
Financial investments	10	**185,022**	147,000
Cash and bank balances	11	**8,316,048**	9,500,765
Total assets		**24,625,782**	23,447,497
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**6,050,000**	6,050,000
Statutory reserve		**634,196**	533,643
Group restructuring reserve	13	**-**	(4,912,810)
Retained earnings		**5,933,864**	8,160,080
Total equity		**12,618,060**	9,830,913
Liabilities			
Bank borrowings	14	**1,162,636**	1,024,905
Sukuk certificates	15	**2,653,598**	2,739,716
Advances from customers		**4,196,801**	5,533,221
Trade and other payables	16	**3,994,687**	4,318,742
Total liabilities		**12,007,722**	13,616,584
Total equity and liabilities		**24,625,782**	23,447,497

Mr Hussain Sajwani
Chairman

Mr Adil Taqi
Group Chief Finance Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	2016 AED'000	2015 AED'000
Revenue	18	**7,156,182**	8,536,067
Cost of sales		**(3,159,129)**	(3,469,006)
Gross profit		**3,997,053**	5,067,061
Other operating income	19	**594,149**	503,935
General, administrative and selling expenses	20	**(859,419)**	(1,014,586)
Depreciation	6	**(15,265)**	(12,630)
Operating profit		**3,716,518**	4,543,780
Other income	21	**44,814**	33,508
Finance income	22	**115,878**	90,181
Finance costs	23	**(182,563)**	(152,639)
Profit for the year		**3,694,647**	4,514,830
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**3,694,647**	4,514,830
Earnings per share			
Basic and diluted (AED)	29	**0.61**	0.75

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital AED'000	Statutory reserve AED'000	Group restructuring reserve AED'000	Retained earnings AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2015	5,000,000	356,367	(4,912,810)	4,670,190	752,336	5,866,083
Acquisition of non-controlling interest in DRED	-	-	-	752,336	(752,336)	-
Total comprehensive income for the year	-	-	-	4,514,830	-	4,514,830
Transfer to statutory reserve	-	177,276	-	(177,276)	-	-
Issue of bonus shares (Note 30)	1,050,000	-	-	(1,050,000)	-	-
Dividend (Note 30)	-	-	-	(550,000)	-	(550,000)
Balance at 31 December 2015	**6,050,000**	**533,643**	**(4,912,810)**	**8,160,080**	**-**	**9,830,913**
Transfer (Note 13)	-	-	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 30)	-	-	-	(907,500)	-	(907,500)
Balance at 31 December 2016	**6,050,000**	**634,196**	**-**	**5,933,864**	**-**	**12,618,060**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016 AED'000	2015 AED'000
Cash flows from operating activities		
Profit for the year	**3,694,647**	4,514,830
Adjustments for:		
Depreciation of property and equipment (Note 6)	**15,265**	12,630
Provision for employees' end-of-service indemnity (Note 16)	**11,043**	10,634
Amortisation of issue costs on Sukuk certificates (Note 15)	**5,659**	9,783
(Gain)/loss on retirement of property and equipment	**(58)**	578
Reversal of impairment on trade receivables (Note 20)	**(44,712)**	(4,267)
Finance income	**(115,878)**	(90,181)
Finance costs	**182,563**	152,639
Operating cash flows before changes in operating assets and liabilities	**3,748,529**	4,606,646
Increase in trade and other receivables	**(965,199)**	(1,034,140)
Decrease in due to a related party	**-**	(40,345)
Increase in development properties	**(1,101,294)**	(1,187,428)
Decrease in advances from customers	**(1,336,420)**	(582,085)
(Decrease)/increase in trade and other payables	**(329,907)**	731,746
Employees' end-of-service indemnity paid (Note 16)	**(6,690)**	(6,321)
Net cash generated from operating activities	**9,019**	2,488,073
Cash flows from investing activities		
Purchases of property and equipment – net (Note 6)	**(10,074)**	(17,142)
Acquisition of financial investment (Note 10)	**(38,022)**	(128,628)
(Increase)/decrease in other financial assets	**(227,973)**	64,095
(Increase)/decrease in deposits with original maturity of greater than three months	**(224,401)**	356,266
Interest received	**124,943**	69,427
Net cash (used in)/generated from investing activities	**(375,527)**	344,018

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

	2016 AED'000	2015 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings during the year	**610,915**	830,020
Repayment of bank borrowings during the year	**(473,184)**	(81,850)
(Repayment)/proceeds from issuance of Sukuk Certificates (Note 15)	**(91,777)**	361,987
Dividend paid (Note 30)	**(907,500)**	(550,000)
Finance costs paid	**(181,064)**	(147,585)
Net cash (used in)/generated from financing activities	**(1,042,610)**	412,572
Net (decrease)/increase in cash and cash equivalents	**(1,409,118)**	3,244,663
Cash and cash equivalents at the beginning of the year (Note 11)	**8,597,818**	5,353,155
Cash and cash equivalents at the end of the year (Note 11)	**7,188,700**	8,597,818
Non-cash transactions		
Dividend (Note 30)	-	(1,050,000)
Acquisition of non-controlling interest in DRED	-	(752,336)

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

1. General information

DAMAC Properties Dubai Co. PJSC (the "Company" or the "Parent") was incorporated in Dubai on 20 June 1976 as a Public Stock Company and operates in the United Arab Emirates under a trade license issued in Dubai. The Company is listed on the Dubai Financial Market. The address of the Company's registered office is P.O. Box 12265, Dubai, United Arab Emirates.

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

The Parent and its subsidiaries (collectively the "Group") are involved 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 2016, 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.

- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to disclosure initiative.
- Amendments to IFRS 11 *Joint Arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants.*
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014–2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: ▪ 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.	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: 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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments*: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) 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 Financial Instruments: Recognition and Measurement. 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. ▪ **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. ▪ **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. ▪ **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	1 January 2018

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

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.

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. The application of IFRS 9 may have significant impact on amounts reported and disclosures made in respect of financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in respect of its leases in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Significant accounting policies

3.1 Statement of compliance

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

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

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 each Group entity are prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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.

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.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

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

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.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

During the year, the Company liquidated its following subsidiaries:

Name of the entity	Country of incorporation	Principal activities
Najah Company Limited	British Virgin Islands	Holding company
Al Khazna Company Limited	British Virgin Islands	Holding company
Imtiaz Holding Limited	British Virgin Islands	Holding company
Sahira Company Limited	British Virgin Islands	Holding company
Al Firdous Holding Limited	British Virgin Islands	Holding company

3.4 Revenue recognition

Revenue from contracts with customers

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

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

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.

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

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.

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.

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.

3.5 Development properties

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

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

3. Significant accounting policies (continued)

3.5 Development properties (continued)

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

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

3.6 Provisions

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

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

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

3.7 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
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

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

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

3. Significant accounting policies (continued)

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 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 U.A.E. Nationals are made by the Group in accordance with Federal Law No. 7 of 1999 (as amended).

3. Significant accounting policies (continued)

3.10 Leases

For the years ended 31 December 2016 and 31 December 2015, the Group did not have any finance leases and all leases have been classified as operating leases.

The Group as lessee

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

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

3.11 Foreign currencies

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

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

3.12 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.

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

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-derivatives 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.

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.

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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.

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 (e.g. 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.

3. Significant accounting policies (continued)

3.12 Financial instruments (continued)

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Derecognition of financial liabilities

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

3.13 Taxation

There is no income tax applicable to the Group operations in the U.A.E. In jurisdictions other than the U.A.E., in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Group. 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 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.

3.14 Statutory reserve

As required by the U.A.E. 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.

3.15 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.

3.16 Segment reporting

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

4. Critical accounting judgment 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 judgment in applying accounting policies

The following is the critical judgment, 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.

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.

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.

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.

The primary valuation method used 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% to 20% (2015: 12.5% 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.

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.

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

Key sources of estimation uncertainty (continued)

Provision for impairment on trade receivables

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

5. Segment analysis

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

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

	2016	2015
	AED'000	AED'000
Revenue		
Domestic	**6,722,792**	7,988,443
International	**433,390**	547,624
	7,156,182	8,536,067

	2016	2015
	AED'000	AED'000
Development properties		
Domestic	**8,438,625**	7,394,667
International	**1,806,439**	1,749,103
	10,245,064	9,143,770

6. Property and equipment

	Furniture and fixtures	**Tools and office equipments**	**Motor vehicles**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Cost				
At 1 January 2015	67,351	74,362	5,054	146,767
Additions	4,145	12,635	362	17,142
Disposals	-	-	(987)	(987)
At 1 January 2016	71,496	86,997	4,429	162,922
Additions	1,307	8,671	154	10,132
Disposals	-	(610)	-	(610)
At 31 December 2016	72,803	95,058	4,583	172,444
Accumulated depreciation				
At 1 January 2015	42,198	42,665	1,963	86,826
Charge for the year	2,090	9,798	742	12,630
Disposals	-	-	(409)	(409)
At 1 January 2016	44,288	52,463	2,296	99,047
Charge for the year	3,313	11,936	16	15,265
Disposals	-	(610)	-	(610)
At 31 December 2016	47,601	63,789	2,312	113,702
Carrying value				
As at 31 December 2016	**25,202**	**31,269**	**2,271**	**58,742**
As at 31 December 2015	27,208	34,534	2,133	63,875

7. Development properties

	2016	2015
	AED'000	AED'000
Balance at the beginning of the year	**9,143,770**	7,956,342
Additions	**4,254,707**	4,653,136
Transfer to cost of sales	**(3,153,413)**	(3,465,708)
Balance at the end of the year	**10,245,064**	9,143,770

7. Development properties (continued)

Impairment of development properties

At 31 December 2016, 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:

	2016	2015
	AED'000	AED'000
Land held for future development	**1,221,220**	1,725,497
Properties under development	**7,960,923**	6,788,416
Completed properties	**1,062,921**	629,857
	10,245,064	9,143,770

No borrowing costs have been capitalised to development properties.

8. Other financial assets

	2016	2015
	AED'000	AED'000
Escrow retention accounts	**1,003,389**	773,269
Margin deposits	**11,155**	8,560
Other	**2,084**	6,826
	1,016,628	788,655

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

8. Other financial assets (continued)

At 31 December 2016, 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 513 million (2015: AED 362 million) is held with Islamic banks and the balance is held with conventional banks.

9. Trade and other receivables

	2016	2015
	AED'000	AED'000
Trade receivables	**4,110,871**	3,150,882
Provision for impairment on trade receivables	**(154,174)**	(198,886)
	3,956,697	2,951,996
Advances and deposits	**766,018**	800,967
Other receivables and prepayments	**81,563**	50,469
	4,804,278	3,803,432

Trade receivables represent amounts due from customers. Customers are allowed 30 days from each invoice date to settle outstanding dues. At the reporting date, an amount of AED 3,287 million (2015: AED 2,709 million) is unbilled.

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

	2016	2015
	AED'000	AED'000
Balance at the beginning of the year	**198,886**	203,153
Net provision movement for the year (Note 20)	**(44,712)**	(4,267)
Balance at the end of the year	**154,174**	198,886

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

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

	Neither past due nor impaired	**Past due but not impaired**				
		1 – 60 days	**61 – 180 days**	**181 – 270 days**	**Above 270 days**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
31 December 2016	**3,287,357**	**228,293**	**129,960**	**72,712**	**238,375**	**3,956,697**
31 December 2015	2,709,260	118,525	85,635	38,576	-	2,951,996

9. Trade and other receivables (continued)

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 2016	**7,641**	**9,691**	**29,088**	**107,754**	**154,174**
31 December 2015	15,969	22,960	13,213	146,744	198,886

10. Financial investments

During the year, the Group increased its investment in DAMAC International Limited, a related entity whose principal activity is property development, from AED 147 million to AED 185 million (2015: from AED 18 millon to AED 147 million) which represents a 20% (2015: 20%) equity interest in the related entity.

11. Cash and bank balances

	2016 AED'000	2015 AED'000
Cash on hand	**1,109**	14,397
Cash held in escrow	**7,002,061**	8,446,029
Bank balances	**83,501**	82,083
Fixed deposits	**1,229,377**	958,256
Cash and bank balances	**8,316,048**	9,500,765
Fixed deposits with an original maturity of greater than three months	**(1,127,348)**	(902,947)
Cash and cash equivalents	**7,188,700**	8,597,818

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

At the reporting date, an amount of AED 4,422 million (2015: AED 4,490 million) is held with Islamic banks and the balance is held with conventional banks.

12. Share capital

	2016 AED'000	2015 AED'000
Issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	6,050,000

13. Group restructuring reserve

During the year, the management approved transfer of the group restructuring reserve to retained earnings.

14. Bank borrowings

	2016 AED'000	2015 AED'000
Bank facilities	**1,061,879**	740,589
Overdrafts	**100,757**	284,316
	1,162,636	1,024,905

At the reporting date, an amount of AED 309 million (2015: AED 500 million) is outstanding with Islamic banks and the balance with conventional banks.

Islamic banks and financial institutions

The Group has following Sharia compliant financing facilities under various structures with Islamic banks and financial institutions:

- AED 350 million Ijarah facility with a commercial bank at a rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017. Out of this AED 191 million was repaid as at 31 December 2016.
- AED 150 million term facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017.

Conventional banks and financial institutions

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

- AED 45 million revolving term loan facility with a commercial bank bearing interest at 6 months EIBOR plus 4% per annum, repayable by 2017.
- AED 25 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 4% per annum, repayable by 2017. Out of this, AED 8.5 million was repaid as at 31 December 2016.
- AED 433 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2018.
- AED 50 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.
- AED 50 million term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. Out of this, AED 25 million was repaid as at 31 December 2016.
- AED 183 million term loan facility with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.

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

	2016 AED'000	2015 AED'000
On demand or within one year	**918,207**	649,955
In the second and third year	**244,429**	374,950
	1,162,636	1,024,905

15. Sukuk certificates

	2016 AED'000	2015 AED'000
Sukuk certificates	**2,664,473**	2,756,250
Unamortised issue costs	**(10,875)**	(16,534)
Carrying amount	**2,653,598**	2,739,716

- On 9 April 2014, the Group issued US$ 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 Company. 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 21 September 2015, the Group issued US$ 100 million (AED 367 million) SUKUK TRUST CERTIFICATES maturing in 2017. Under the Sukuk Alpha Star Holding II Limited is the Issuer and Trustee pursuant to declaration of Trust with DRED as Guarantor. The Sukuk was fully subscribed by a U.A.E. 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 Company. Certificateholders from time to time 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 return at the rate of three months LIBOR plus 3.25% per annum.

  During the year the Group redeemed Sukuk Certificates amounting to US$ 25 million (AED 92 million) and the remaining outstanding amount of US$ 75 million will mature in March 2017.

The repayment profile of the above Sukuk certificates is as follows:

	2016 AED'000	2015 AED'000
Amount due for settlement within 12 months	**275,723**	-
Amount due for settlement after 12 months	**2,377,875**	2,739,716
	2,653,598	2,739,716

16. Trade and other payables

	2016 AED'000	2015 AED'000
Accruals	**1,264,091**	875,212
Deferred consideration payable for land	**1,238,081**	2,117,631
Retentions payable *(i)*	**807,745**	612,170
Other payables	**647,147**	680,459
Provision for employees' end-of-service indemnity *(ii)*	**37,623**	33,270
	3,994,687	4,318,742

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

	2016 AED'000	2015 AED'000
Balance at the beginning of the year	**33,270**	28,957
Charge for the year	**11,043**	10,634
Payments made during the year	**(6,690)**	(6,321)
Balance at the end of the year	**37,623**	33,270

17. 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:

	2016 AED'000	2015 AED'000
Entities under the control of Chairman		
Construction works executed *(i)*	**(100,728)**	(34,435)
Investment in DAMAC International Limited (Note 10) *(ii)*	**(38,022)**	(128,628)
Support services fees (Note 21) *(iii)*	**7,415**	6,001

17. Related party transactions (continued)

(i) Construction works executed

During the year, the Group utilised construction services worth AED 101 million from Draieh Contracting LLC, an entity under the control of the Chairman.

(ii) Investment in DAMAC International Limited

During the year, the Group increased its investment in DAMAC International Limited, a related entity, from AED 147 million to AED 185 million (Note 10).

(iii) Support services fees

During the year the Group received AED 7 million from DAMAC International Limited, a related entity, towards support services rendered (Note 21).

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*.

	2016	2015
	AED'000	AED'000
Short term employee benefits	**15,478**	20,375
Termination benefits – EOSB	**958**	486
	16,436	20,861

18. Revenue

	2016	2015
	AED'000	AED'000
Property development	**5,064,132**	5,633,951
Sale of land	**2,092,050**	2,902,116
	7,156,182	8,536,067

19. Other operating income

	2016	2015
	AED'000	AED'000
Income from cancellation of units	**584,540**	480,076
Penalties from overdue customers	**8,499**	22,531
Unit registration and transfer fees	**1,110**	1,328
	594,149	503,935

20. General, administrative and selling expenses

	2016	2015
	AED'000	AED'000
Staff costs	**442,006**	465,959
Advertising and sales promotion	**137,643**	192,664
Brokerage and commission	**116,946**	140,738
Rent and license fees	**61,214**	58,211
Legal and professional	**26,974**	51,093
Repairs and maintenance	**40,290**	34,547
Bank charges	**23,084**	27,073
Tax expense	**21,095**	3,701
Travel and conveyance	**17,161**	20,864
Communication	**11,004**	12,196
Social contribution	**100**	2,000
Reversal of impairment on trade receivables (Note 9)	**(44,712)**	(4,267)
Other	**6,614**	9,807
	859,419	1,014,586

21. Other income

	2016	2015
	AED'000	AED'000
Property management fees	**23,053**	19,124
Support services fees (Note 17)	**7,415**	6,001
Other	**14,346**	8,383
	44,814	33,508

22. Finance income

	2016	2015
	AED'000	AED'000
Islamic banks and financial institutions	**43,863**	35,141
Conventional banks and financial institutions	**72,015**	55,040
	115,878	90,181

23. Finance costs

	2016 AED'000	2015 AED'000
Islamic banks and financial institutions	**152,161**	135,050
Conventional banks and financial institutions	**30,402**	17,589
	182,563	152,639

24. Contingent liabilities

	2016 AED'000	2015 AED'000
Bank guarantees	**1,236,580**	1,062,709

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 2016.

25. Commitments

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

	2016 AED'000	2015 AED'000
Contracted for	**6,210,538**	7,415,223

26. 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*

	2016 AED'000	2015 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**13,302,213**	13,263,321
Financial investments	**185,022**	147,000
	13,487,235	13,410,321
Financial liabilities		
At amortised cost	**7,773,298**	8,050,093

26. 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.

27. 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 2016 would decrease/increase by AED 5.4 million (2015: AED 3.6 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) *Foreign currency risk management*

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

(d) *Credit risk management*

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

27. Financial risk management (continued)

(d) Credit risk management (continued)

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 2016:					
Non-interest bearing	-	2,936,056	911,968	75,000	3,923,024
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
		4,129,986	1,156,397	2,463,750	7,750,133
31 December 2015:					
Non-interest bearing	-	2,637,884	1,255,047	360,000	4,252,931
Fixed interest rate instruments	4.82	-	367,500	2,388,750	2,756,250
Variable interest rate instruments	3.81	649,955	374,950	-	1,024,905
		3,287,839	1,997,497	2,748,750	8,034,086

27. Financial 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 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
31 December 2015:					
Non-interest bearing	-	11,516,410	-	-	11,516,410
Variable interest rate instruments	1.87	1,746,911	-	-	1,746,911
		13,263,321	-	-	13,263,321

28. Capital risk management

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

29. Earnings per share

The basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year. In accordance with IAS 33 *Earnings per share*, the impact of bonus shares issued (Note 30) has been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

	2016	2015
Profit for the year (AED'000)	**3,694,647**	4,514,830
Weighted average number of ordinary shares ('000)	**6,050,000**	6,050,000
Earnings per ordinary share – Basic and diluted (AED)	**0.61**	0.75

30. Dividend

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.

A cash dividend of AED 0.25 per share amounting to AED 1,512.5 million is proposed by the Directors of the Company subject to approval of the shareholders in the forthcoming Annual General Assembly.

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

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

31. Comparative figures

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been reclassified in the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the prior year ended 31 December 2015, as previously reported:

Extract of consolidated statement of financial position:

	As previously reported AED'000	**Reclassification AED'000**	**Restated AED'000**
Provision for employees' end-of-service indemnity	33,270	(33,270)	-
Trade and other payables	4,285,472	33,270	4,318,742

Extract of consolidated statement of profit or loss and other comprehensive income:

	As previously reported AED'000	**Reclassification AED'000**	**Restated AED'000**
General, administrative and selling expenses	(873,848)	(140,738)	(1,014,586)
Brokerage and commission	(140,738)	140,738	-

Extract of consolidated statement of cash flows:

	As previously reported AED'000	**Reclassification AED'000**	**Restated AED'000**
Net cash generated from operating activities	2,409,915	78,158	2,488,073
Net cash generated from investing activities	274,591	69,427	344,018
Net cash generated from financing activities	560,157	(147,585)	412,572

32. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2016 was approved by the Board and authorised for issue on 13 February 2017.

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

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