8th February 2015

8 فبراير 2015

DAMAC Properties Dubai Co PJSC
FINANCIAL RESULTS FOR 2014

DAMAC Properties Dubai Co PJSC (DFM: DAMAC) ("DAMAC" or the "Company"), a leading developer of high-end and luxury residential property in the Middle East, announces results for the twelve months ending 31st December 2014.

- **Net profit** of AED 3,483.3 million in the twelve months to 31st December 2014
- **Dividend:** A share dividend of AED 0.10 per share representing 500 Million bonus shares (on a capital of 5 billion shares) is proposed by the Board of Directors for the year ended 31st December 2014
- **Annual General Meeting -** Board proposes AGM for late March 2015

Hussain Sajwani, Chairman of DAMAC, commented:

"We are delighted to present such strong results for 2014 which reflect our position at the forefront of luxury real estate in the region. As we embark on a new and exciting journey as a listed company in our home city of Dubai, we look to solidify our position and drive growth for our home owners and shareholders alike. We have a firm belief in Dubai's fundamentals and see the market maturing and continuing to grow in the coming short to medium term.

2014 was a year of continued delivery and expansion of our product range. DAMAC launched many new products; expanded our relationships with key brands, an area which has become a cornerstone of the DAMAC proposition.

"داماك العقارية دبي ش.م.ع"
النتائج المالية لسنة 2014

شركة داماك العقارية دبي ش.م.ع (DFM:DAMAC) ("داماك" أو الشركة")، المطور الرائد للعقارات السكنية الفاخرة في الشرق الأوسط، تعلن عن نتائج السنة المالية المنتهية في 31 ديسمبر 2014.

- **صافي الأرباح**: 3,483.3 مليون درهم إماراتي في 12 شهراً حتى 31 ديسمبر 2014
- **توزيعات الأرباح**: رفع مجلس الإدارة توصية لتوزيع أرباح 0.10 درهم إماراتي للسهم والتي تمثل 500 مليون سهم منحة (من رأس مال 5 مليارات سهم) للسنة المنتهية في 31 ديسمبر 2014
- اقترح مجلس الإدارة انعقاد اجتماع الجمعية العمومية في أواخر مارس 2015

حسين سجواني، رئيس مجلس إدارة داماك علق قائلاً:

"نحن مسرورين لتقديم هكذا نتائج قوية لسنة 2014 والتي تعكس موقعنا الريادي في العقارات الفاخرة في المنطقة. وكوننا نبدأ مسيرة جديدة ومشوقة كشركة مدرجة في السوق المالي لمدينتنا الأم دبي، فإننا نتطلع إلى تقوية موقعنا وتحفيز النمو للمالكين والمساهمين على حد سواء. ولدينا كامل الثقة بأسس دبي وإننا نرى السوق في نضوج ونمو مستمرين في الأجلين القصير والمتوسط.

كانت سنة 2014 سنة استمرارية وتوسّع لتشكيلة منتجنا. كما أطلقت داماك العديد من المنتجات الجديدة ووسعت علاقاتنا مع علامات تجارية أساسية، وهو حيز بات حجر أساس لعرض داماك.

During the year we completed 8 projects including Capital Bay, Executive Bay, Cosmopolitan, Waters Edge, The Vogue, Lincoln Park and Lakeside (partial) as well as our first international development, Al Jawharah in the Kingdom of Saudi Arabia which is testament to our ability to enter new territories and deliver on the platforms that we have built in these markets. 3,553 units were completed and delivered during 2014 with cumulative units delivered till date at 12,866 units.

لقد أنجزنا خلال السنة الماضية ثمانية مشاريع من ضمنها: "كابيتال باي" و"إكزكتيف باي" و"كوزموبوليتان" و"واترز أدج" و"ذا فوغ" و"لينكلن بارك" و"ليك ساید" (جزئياً) بالإضافة إلى إنجاز أول مشروع للشركة خارج الإمارات وهو مشروع "الجوهرة" في المملكة العربية السعودية الذي شكل شهادة لقدرتنا على النجاح في دخول أسواق جديدة مستندين على الأسس التي بنيناها في هذه الأسواق. وقد أستُكملت وسُلمت 3,553 وحدة خلال سنة 2014 ليصبح العدد الإجمالي للوحدات المنجزة والتي تم تسليمها حتى اليوم 12,866 وحدة.

The launch of AKOYA Oxygen was a key milestone during 2014. Spread over 55 million sq. ft. with a championship golf course designed by Tiger Woods and operated by the TRUMP Organisation.

وشكل إطلاق أكويا أكسجين إنجازاً مهماً خلال سنة 2014. فهذا المشروع التطويري يمتد على مساحة تفوق 55 مليون قدم مربع ويتضمن ملعب غولف من تصميم تايغر وودز وبإدارة مؤسسة ترامب.

We also launched the 'The Drive' at AKOYA by DAMAC, a 2.5 km retail strip with major retail, entertainment and hospitality attractions such as the first outdoor ice rink, hotels and hotel apartments projects.

كما أطلقنا "ذا درايف" في أكويا من داماك، وهو ممشى للتسوق يمتد على مسافة 2.5 كم ويتضمن محلات التجزئة والترفيه والضيافة، وأول حلبة تزحلق على الجليد في الهواء الطلق بالإضافة إلى الفنادق والشقق الفندقية.

We expanded our serviced and hotel apartment offering, and have been quick to capitalise on this growing segment of the market. In 2014 we opened four hotel apartment developments and have a significant pipeline of 10,000 hospitality keys under development.

ووسعنا كذلك عروضنا للشقق الفندقية والشقق متكاملة الخدمات مستفيدين من تنامي هذا القطاع في السوق. وقد افتتحنا أربعة مشاريع للشقق الفندقية سنة 2014 ولدينا محفظة تطوير كبيرة في مجال الضيافة تضم 10,000 وحدة قيد التطوير.

Against the backdrop of economic growth and a stabilisation of real estate prices in Dubai, we believe that DAMAC will continue to benefit from customer demand for our product."

في ظل النمو الإقتصادي واستقرار أسعار العقارات في دبي، كلنا ثقة أن داماك ستستمر بالاستفادة من طلب العملاء لمنتجاتنا."

-end-

-إنتهى-

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Damac Properties Dubai Co. (PSC)
Dubai - United Arab Emirates

Consolidated financial statements and independent auditor's report for the year ended 31 December 2014

Damac Properties Dubai Co. (PSC)

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Damac Properties Dubai Co. (PSC)
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Damac Properties Dubai Co. (PSC)** (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Anis Sadek (521), Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem Dajani (726), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Damac Properties Dubai Co. (PSC)** and its subsidiaries as of 31 December 2014, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its financial performance.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration Number 872
Dubai
8 February 2015

Consolidated statement of financial position
As at 31 December 2014

	Notes	2014 AED'000	2013 AED'000
ASSETS			
Property and equipment	6	**59,941**	1,895
Development properties	7	**8,553,738**	-
Available-for-sale financial assets	8	**-**	4,936,750
Other financial assets	9	**852,750**	-
Trade and other receivables	10	**2,729,027**	899
Financial investments	11	**18,372**	-
Inventories		**-**	1,307
Cash and bank balances	12	**6,612,368**	689
Total assets		**18,826,196**	4,941,540
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**5,000,000**	3,000,000
Statutory reserve	14	**356,367**	305,326
Group restructuring reserve	15	**(4,912,810)**	-
Investment revaluation reserve		**-**	764,400
Retained earnings		**4,072,517**	98,237
Equity attributable to shareholders of the Company		**4,516,074**	4,167,963
Non-controlling interests		**752,336**	-
Total equity		**5,268,410**	4,167,963
Liabilities			
Bank borrowings	16	**276,735**	-
Sukuk certificates	17	**2,367,946**	-
Due to a related party	18	**40,345**	773,017
Provision for employees' end of service indemnity	19	**28,957**	313
Trade and other payables	20	**10,843,803**	247
Total liabilities		**13,557,786**	773,577
Total Equity and Liabilities		**18,826,196**	4,941,540

Chairman **Director**

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 2014

	Notes	2014 AED'000	2013 AED'000
Revenue	**21**	**3,740,034**	2,861
Cost of sales		**(1,510,727)**	(1,693)
Gross profit		**2,229,307**	1,168
Other operating income	**22**	**38,443**	-
General, administrative and selling expenses	**23**	**(532,798)**	(1,504)
Brokerage and commission		**(133,613)**	-
Reversal of impairment on development properties	**7**	**155,616**	-
Depreciation	**6**	**(7,640)**	(452)
Gain realised on recognition of investment in an associate		**1,281,963**	-
Share of profit in an associate	**8**	**457,992**	-
Profit for the period/year from discontinued operations	**25**	**2,919**	1,203,379
Operating profit		**3,492,189**	1,202,591
Other income	**24**	**20,978**	210
Finance income		**37,995**	-
Finance costs		**(67,878)**	-
Profit for the year		**3,483,284**	1,202,801
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
- Unrealised gain on fair value of available-for-sale financial asset		**517,563**	764,400
- Gain realised on recognition of investment in an associate		**(1,281,963)**	-
- Revaluation reserve on financial investments recycled on disposal		**(315)**	-
Other comprehensive (loss)/income for the year		**(764,715)**	764,400
Total comprehensive income for the year		**2,718,569**	1,967,201

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 2014 (continued)

		2014	2013
		AED'000	AED'000
Profit for the year attributable to:			
Shareholders of the Company		**3,234,747**	1,202,801
Non-controlling interests		**248,537**	-
		3,483,284	1,202,801
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**2,469,987**	1,967,201
Non-controlling interests		**248,582**	-
		2,718,569	1,967,201
Earnings per share			
Basic and diluted (AED)	**32**	**0.77**	0.29

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

Consolidated statement of changes in equity
For the year ended 31 December 2014

	Share capital AED'000	Statutory reserve AED'000	Group restructuring reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2013	3,000,000	305,326	-	-	98,815	**3,404,141**	64	**3,404,205**
Total comprehensive income for the year	-	-	-	764,400	1,202,801	**1,967,201**	-	**1,967,201**
Disposal of subsidiaries	-	-	-	-	-	**-**	(64)	**(64)**
Dividend (Note 33)	-	-	-	-	(1,203,379)	**(1,203,379)**	-	**(1,203,379)**
Balance at 31 December 2013	**3,000,000**	**305,326**	**-**	**764,400**	**98,237**	**4,167,963**	**-**	**4,167,963**
Issue of new shares (Note 13)	2,000,000	-	-	-	-	**2,000,000**	-	**2,000,000**
Acquisition of controlling interest in DRED (Note 26)	-	-	(4,912,810)	315	3,142,020	**(1,770,475)**	588,867	**(1,181,608)**
Total comprehensive income for the year	-	-	-	(764,715)	3,234,747	**2,470,032**	248,537	**2,718,569**
Transfer to statutory reserve (Note 14)	-	51,041	-	-	(51,041)	**-**	-	**-**
Dividend (Note 33)	-	-	-	-	(2,351,446)	**(2,351,446)**	(85,068)	**(2,436,514)**
Balance at 31 December 2014	**5,000,000**	**356,367**	**(4,912,810)**	**-**	**4,072,517**	**4,516,074**	**752,336**	**5,268,410**

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

Consolidated statement of cash flows
For the year ended 31 December 2014

	2014	2013
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**3,483,284**	1,202,801
Adjustments for:		
Depreciation of property and equipment (Note 6)	**7,862**	6,317
Amortisation of intangible assets	**-**	29,250
Provision for employees' end of service indemnity (Note 19)	**5,685**	2,273
Amortisation of issue costs on Sukuk certificates (Note 17)	**1,981**	-
Gain on disposal of financial investments	**(1,089)**	-
Loss on retirement of property and equipment	**2,603**	-
Gain realised on recognition of investment in an associate	**(1,281,963)**	-
Share of profit from an associate (Note 8)	**(457,992)**	-
Profit on disposal of gypsum business (Note 25)	**(3,248)**	-
Provision for impairment on trade receivables (Note 10)	**80,775**	-
Reversal of impairment on development properties (Note 7)	**(155,616)**	-
Finance income	**(37,995)**	(3,021)
Finance costs	**67,878**	8,516
Operating cash flows before changes in operating assets and liabilities	**1,712,165**	1,246,136
Increase in trade and other receivables	**(803,269)**	(205,386)
Increase in development properties	**(1,484,159)**	(434,454)
Decrease/(increase) in inventories	**225**	(612)
Increase in due from related parties	**-**	(98,135)
Increase in due to a related party	**40,196**	382,214
Increase/(decrease) in trade and other payables	**1,599,221**	(194,781)
Cash generated from operations	**1,064,379**	694,982
Interest income received	**39,145**	3,021
Finance costs paid	**(40,386)**	(8,516)
Employees' end of service indemnity paid (Note 19)	**(248)**	(566)
Net cash generated from operating activities	**1,062,890**	688,921
Cash flows from investing activities		
Purchases of property and equipment (Note 6)	**(14,691)**	(4,244)
Proceeds from disposal of financial investments	**174,916**	-
Acquisition of financial investments (Note 11)	**(3,490)**	-
Increase in other financial assets	**(373,162)**	(96,887)
Net cash outflow on disposal of gypsum business (Note 25)	**(814)**	(990,500)
Net cash inflow on acquisition of subsidiaries (Note 26)	**6,115,568**	-
Increase in deposits with original maturity greater than three months (Note 12)	**(1,259,213)**	-
Net cash generated from/(used in) investing activities	**4,639,114**	(1,091,631)

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

Consolidated statement of cash flows
For the year ended 31 December 2014 (continued)

	2014	2013
	AED'000	AED'000
Cash flows from financing activities		
Bank borrowings during the year	**276,735**	-
Repayment of bank borrowing	**(30,870)**	(24,299)
Dividend paid	**(595,403)**	-
Net cash used in financing activities	**(349,538)**	(24,299)
Net increase/(decrease) in cash and cash equivalents	**5,352,466**	(427,009)
Cash and cash equivalents at the beginning of the year (Note 12)	**689**	427,698
Cash and cash equivalents at the end of the year (Note 12)	**5,353,155**	689
Non-cash transactions		
Dividend	**1,841,111**	1,203,379

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

Notes to the consolidated financial statements
For the year ended 31 December 2014

1. General information

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

The majority shareholder and ultimate controlling party 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 ("IFRS")

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these consolidated financial statements. The application of these revised and new IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

- Amendments to IAS 36 *Recoverable Amount Disclosures*

  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*

  The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

- Amendments to IFRS 10, IFRS 12 and IAS 27 - *Guidance on Investment Entities*

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

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

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2017
• Annual Improvements to IFRS 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRS 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRS 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

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

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

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

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

3.3 Basis of consolidation

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

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

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

All intra-Group balances, transactions, income and expenses and profits or losses resulting from intra-Group transactions are eliminated in full on consolidation.

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3.1 Disposal of gypsum business

On 30 June 2014, the Company entered into a sale and purchase agreement with the Chairman for the sale of its Gypsum business for a consideration of AED 7 million (Note 25). After this disposal, the Company has become a holding company only with no assets or liabilities in its standalone books other than the ownership interest in Damac Real Estate Development Limited, DIFC and its subsidiaries ("DRED") as described in the note below.

3.3.2 Investment in associate

On 18 March 2014, the Company acquired a further 46% shares in Imtiaz Holding Limited to bring the ownership of the Company in DRED to 50%. On 24 March 2014, Mr. Nabil Ahmed resigned from the Board of Directors of the Company and was replaced with Mr. Adil Taqi, who is also the Chief Financial Officer of DRED. As a result, the Group determined that it exercised significant influence on DRED from 24 March 2014. The related investment revaluation reserve of AED 1,282 million at 24 March 2014, previously recognised in equity, had been released to profit or loss for the period ended 31 March 2014 as 'Gain realised on recognition of investment in an associate'.

Effective 30 June 2014, the Group sold its direct investment in DRED to the Chairman. After this disposal, the Company became a holding company with no assets or liabilities in its standalone books other than a receivable from the Chairman of AED 5,305.3 million.

3.3.3 Acquisition of controlling interest in DRED

Effective 30 June 2014 (the "Acquisition Date"), the Company was transferred 85.7% of the ownership interest in DRED. The ownership interest was attained by the Chairman transferring his ownership interest of 85.7% in DRED held through five holding companies in lieu for settlement of outstanding balances due from the Chairman to the Company as shown below:

Name of the entity	Place of incorporation and operations	Principal activities	Beneficial interest and effective control
Najah Company Limited	British Virgin Islands	Holding Company	100%
Al Khazna Company Limited	British Virgin Islands	Holding Company	100%
Imtiaz Holding Limited	British Virgin Islands	Holding Company	100%
Sahira Company Limited	British Virgin Islands	Holding Company	100%
Al Firdous Holding Limited	British Virgin Islands	Holding Company	100%

The acquisition has resulted in the proportionate transfer of voting rights and power over DRED and the Group is able to exhibit control on DRED from 30 June 2014. From 30 June 2014, the Group consolidated the five holding entities noted above and the 76 entities which together constitute the DRED Group.

Under the terms of the signed Share Purchase Agreement executed on 30 June 2014, 100% of the assets, liabilities, investment revaluation reserve and retained earnings of the DRED Group have been transferred to the Company at net book value as disclosed in Note 26.

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.3.4 Subsequent event

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

3.4 Business combinations

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

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

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

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

3.5 Revenue recognition

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

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

Sale of properties

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

Sale of land

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

Contracts for provision of construction services

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

Contracts for provision of construction services (continued)

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

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

Repossession of units

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

Management fees

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

Interest income

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

Cost of sales

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

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

3.6 Development properties

Properties acquired, or being developed with the intention of sale are classified as development properties. These are stated at the lower of cost and net realisable value.

Cost principally includes the cost of the land and construction cost and all other costs which are necessary to get the properties ready for sale. Net realisable value represents the estimated selling value, based on sales relevant in the year, less costs to be incurred in selling the properties.

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.7 Provisions

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

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

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

3.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any identified impairment loss. The cost of property and equipment is the purchase consideration together with any incidental costs of acquisition.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

	Years
Buildings	15
Furniture and fixtures	6
Tools and office equipment	6
Motor vehicles	6

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

3.9 Impairment of tangible assets

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.9 Impairment of tangible assets (continued)

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 profit or loss and other 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.

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 profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10 Provision for employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period as stipulated in the Labour Laws of the respective countries of operations. The expected costs of these benefits are accrued over the period of employment.

3.11 Leases

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

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

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

3.12 Foreign currencies

The consolidated financial statements of the Group are presented in United Arab Emirates Dirham ("AED"), being the currency of the primary economic environment in which the Group operates (the functional currency).

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.12 Foreign currencies (continued)

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 profit or loss in the period in which they arise.

3.13 Financial instruments

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

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

Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

The Group's investments in shares are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 28.

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the other comprehensive income, is transferred from equity to the consolidated statement of profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of profit or loss and other comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated statement of profit or loss and other comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial assets

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

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 profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

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

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 profit or loss and other comprehensive income.

3.14 Taxation

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

3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

3.16 Statutory reserve

As required by the U.A.E. Company Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital.

3.17 Basic and diluted earnings per share

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

3.18 Cash and cash equivalents

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

Critical accounting judgments in applying accounting policies

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

Litigation

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

Cancellation fees

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

Revenue recognition: determining the point of handover

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

Cost of sales

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

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

Critical accounting judgments in applying accounting policies (continued)

Impairment of development properties

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

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

At 31 December 2014, the Group's management engaged an independent external valuation expert to determine the market value for each of the properties. The market values, and future expected sales proceeds have been used in the assessment of net realisable value and calculation of the required impairment as at 31 December 2014.

Escrow accounts

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

Key sources of estimation uncertainty

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

Going concern assumption

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

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

Key sources of estimation uncertainty (continued)

Completion of projects

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

Provision for impairment on trade receivables

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

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

Property and equipment

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

5. Segmental analysis

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

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

	2014	2013
	AED'000	AED'000
Revenue		
Domestic	**3,687,481**	2,861
International	**52,553**	-
	3,740,034	2,861
Development properties		
Domestic	**6,597,958**	-
International	**1,955,780**	-
	8,553,738	-

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

6. Property and equipment

	Buildings	Furniture and fixtures	Tools and machinery	Motor vehicles	Total
Cost					
At 1 January 2013	3,200	47,516	45,810	2,204	98,730
Additions	3,251	913	42	38	4,244
Derecognised on disposal of subsidiaries	(3,451)	(48,388)	(43,594)	(1,995)	(97,428)
At 31 December 2013	3,000	41	2,258	247	5,546
Additions	-	4,365	9,682	644	14,691
Write off	-	(4,634)	-	-	(4,634)
Acquisition of subsidiary (Note 26)	-	67,620	64,680	4,410	136,710
Derecognised on disposal of Gypsum business (Note 25)	(3,000)	(41)	(2,258)	(247)	(5,546)
At 31 December 2014	**-**	**67,351**	**74,362**	**5,054**	**146,767**
Accumulated depreciation					
At 1 January 2013	1,600	28,707	27,936	1,599	59,842
Charge for the year	3,451	658	2,056	152	6,317
Derecognised on disposal of subsidiaries	(3,451)	(29,333)	(28,125)	(1,599)	(62,508)
At 31 December 2013	1,600	32	1,867	152	3,651
Charge for the year – DRED	-	3,436	4,079	125	7,640
Charge for the year – Gypsum business	100	2	104	16	222
Write off	-	(2,031)	-	-	(2,031)
Acquisition of subsidiary (Note 26)	-	40,793	38,586	1,838	81,217
Derecognised on disposal of Gypsum business (Note 25)	(1,700)	(34)	(1,971)	(168)	(3,873)
At 31 December 2014	**-**	**42,198**	**42,665**	**1,963**	**86,826**
Carrying value					
As at 31 December 2014	**-**	**25,153**	**31,697**	**3,091**	**59,941**
As at 31 December 2013	**1,400**	**9**	**391**	**95**	**1,895**

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

7. Development properties

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**-**	4,594,884
Recognition on acquisition of controlling interest in DRED (Note 26)	**6,928,845**	-
Additions	**2,993,138**	1,127,426
Transferred to cost of sales	**(1,508,979)**	(792,414)
Transfer to a related party (Note 18)	**(14,882)**	-
Impairment reversal	**155,616**	99,442
Derecognised on disposal of subsidiaries	**-**	(5,029,338)
Balance at the end of the year	**8,553,738**	-

Impairment of development properties

At 31 December 2014, the Group's management reviewed the carrying value of its land held for future development and development properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, management engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

This review resulted in an impairment reversal of AED 155.6 million during the year (2013: AED 99.4 million), reflecting an upturn in macroeconomic conditions and a resulting improvement in current and expected future sales prices.

Assets held as development properties

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

	2014	2013
	AED'000	AED'000
Land held for future development	**514,744**	-
Properties under development	**6,894,555**	-
Completed properties	**1,144,439**	-
	8,553,738	-

No borrowing costs have been capitalised to development properties.

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

8. Available-for-sale financial asset

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**4,936,750**	-
Transfer of shares in DRED	**1,341,681**	4,172,350
Unrealised gain due to increase in fair value	**517,563**	764,400
Reclassified as investment in associate	**6,795,994**	-
Share of profit from associate during the year	**457,992**	-
Disposal of investment in associate	**(7,253,986)**	-
	-	4,936,750

9. Other financial assets

	2014	2013
	AED'000	AED'000
Escrow retentions	**839,859**	-
Margin deposits	**10,202**	-
Other	**2,689**	-
	852,750	-

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

At 31 December 2014, margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

10. Trade and other receivables

	2014	2013
	AED'000	AED'000
Trade receivables	**2,254,194**	850
Provision for impairment on trade receivables	**(203,153)**	-
	2,051,041	850
Advances and deposits	**629,476**	49
Other receivables and prepayments	**48,510**	-
	2,729,027	899

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

10. Trade and other receivables (continued)

Movement in the provision for impairment on trade receivables

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**-**	21,488
Derecognised on disposal of subsidiaries	**-**	(21,488)
Acquisition of controlling interest in DRED	**122,378**	-
Net provision for the year (Note 23)	**80,775**	-
Balance at the end of the year	**203,153**	-

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

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

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

	2014	2013
	AED'000	AED'000
Neither past due nor impaired	**1,803,223**	850
1 to 60 days	**99,407**	-
61 to 180 days	**131,218**	-
181 to 270 days	**17,193**	-
	2,051,041	850

Ageing of impaired trade receivables is as follows:

	2014	2013
	AED'000	AED'000
1 to 60 days	**7,469**	-
61 to 180 days	**43,912**	-
181 to 270 days	**66,599**	-
Above 270 days	**85,173**	-
	203,153	-

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

11. Financial investments

During the year, the Group invested AED 18.4 million in Damac International Limited, a newly incorporated related entity with a total share capital of US$ 50.0 million. The Group's 10% interest was settled through a cash payment of AED 3.5 million and transfer of land with a carrying value of AED 14.9 million. At the point of transfer, the Group considered the fair value of the land transferred to approximate to the carrying value.

12. Cash and cash equivalents

	2014	2013
	AED'000	AED'000
Cash on hand	**566**	-
Cash held in escrow	**5,190,196**	-
Bank balances	**32,908**	689
Fixed deposits	**1,388,698**	-
Cash and bank balances	**6,612,368**	689
Less: Fixed deposits with an original maturity of greater than three months	**(1,259,213)**	-
Cash and cash equivalents	**5,353,155**	689

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.

13. Share capital

	2014	2013
	AED'000	AED'000
Authorised, issued and fully paid shares of AED 1 each	**5,000,000**	3,000,000

The increase in share capital is due to additional shares issued to the Chairman of the Company during the year.

14. Statutory reserve

As required by the U.A.E. Company Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital.

15. Group restructuring reserve

The identifiable assets, liabilities, investment revaluation reserve and retained earnings of the DRED Group were acquired at net book value in consideration for the receivable from the Chairman of AED 5,305.3 million. The difference between the net book value and the receivable was classified as a Group Restructuring Reserve (Note 26).

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

16. Bank borrowings

	2014 **AED'000**	2013 AED'000
Bank loans	**146,900**	-
Overdrafts	**129,835**	-
	276,735	-

Banks and financial institutions

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

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

	2014 **AED'000**	2013 AED'000
On demand within one year	**203,285**	-
In the second year	**73,450**	-
In the third to fifth year inclusive	**-**	-
	276,735	-
Less: Amount due for settlement within 12 months	**(203,285)**	-
Amount due for settlement after 12 months	**73,450**	-

During the year, the Group has entered into an unsecured term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum and is repayable by 2016. Details for the weighted average interest rate payable on the Group's loan facilities are included in Note 29.

17. Sukuk Certificates

On 9 April 2014, the DRED Group issued US$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer with DRED as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the ''Certificateholders'') the right to receive certain payments arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the ''Trust'') over certain Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

17. Sukuk Certificates (continued)

	2014 **AED'000**	2013 AED'000
Proceeds from the issue of Sukuk Certificates	**2,388,750**	-
Gross issue costs	**(23,153)**	-
Less: Amortised upto year end	**2,349**	-
Unamortised issue costs	**(20,804)**	-
Carrying amount	**2,367,946**	-

Movement in unamortised issue costs

	2014 **AED'000**	2013 AED'000
Acquisition of controlling interest in DRED	**22,785**	-
Issue costs amortised during the period	**(1,981)**	-
Unamortised issue costs as at year end	**20,804**	

18. Related party transactions

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

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

	2014 **AED'000**	2013 AED'000
Due to a related party		
Due to an entity under the Chairman's control	**40,345**	773,017

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

18. Related party transactions (continued)

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

	2014	2013
	AED'000	AED'000
Entities under the Chairman's control		
Transfer of development properties *(i)*	**(14,882)**	-
Construction works executed *(ii)*	**(111,666)**	-
Purchase of land plot *(iii)*	**117,600**	-
Sale of land plot *(iii)*	**(116,595)**	-

(i) Transfer of development properties

During the year, the Group acquired 10% interest in Damac International Limited, an unlisted related entity which was partly settled through transfer of a land plot for AED 14.9 million.

(ii) Construction works executed

During the year, the Group utilised construction services worth AED 111.7 million from Draieh Contracting LLC, an entity under the control of Chief Executive Officer.

(iii) Purchase and sale of land plot

During the year, the Group purchased a land plot for AED 117.6 million from, and sold a land plot for AED 116.6 million to entities owned by the Chairman. Both transactions were settled at fair value, as determined and approved by the Board of Directors.

Remuneration of Directors and key-management personnel

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

	2014	2013
	AED'000	AED'000
Short term employee benefits	**4,601**	3,642
Termination benefits – EOSB	**173**	78
	4,774	3,720

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

19. Provision for employees' end of service indemnity

	2014	2013
	AED'000	AED'000
Balance at the beginning of the year	**313**	13,200
Acquisition of controlling interest in DRED (Note 26)	**23,520**	-
Charge for the year	**5,685**	2,273
Payments during the year	**(248)**	(566)
Derecognised on disposal of subsidiary (Note 25)	**(313)**	(14,594)
Balance at the end of the year	**28,957**	313

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

20. Trade and other payables

	2014	2013
	AED'000	AED'000
Advances from customers	**7,295,131**	6
Accruals	**612,530**	241
Other payables	**794,386**	-
Retentions payable	**416,699**	-
Deferred consideration for land payments	**1,725,057**	-
	10,843,803	247

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

21. Revenue

	2014	2013
	AED'000	AED'000
Constructed units	**1,650,990**	-
Sale of land	**2,089,044**	-
Sale of gypsum	**-**	2,861
	3,740,034	2,861

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

22. Other operating income

	2014	2013
	AED'000	AED'000
Penalties from overdue customers	**16,089**	-
Income from cancellation of units	**22,013**	-
Unit registration and transfer fees	**341**	-
	38,443	-

23. General, administrative and selling expenses

	2014	2013
	AED'000	AED'000
Staff costs	**228,696**	438
Advertisement and sales promotion	**125,895**	-
Rent and license fees	**30,088**	624
Legal and professional	**18,712**	-
Repairs and maintenance	**16,030**	-
Bank charges	**13,124**	1
Travel and conveyance	**5,164**	63
Communication	**4,633**	14
Provision for impairment on trade receivables (Note 10)	**80,775**	-
Other	**9,681**	364
	532,798	1,504

24. Other income

	2014	2013
	AED'000	AED'000
Property management fees	**9,179**	-
Gain on disposal of financial investments	**1,089**	-
Other	**10,710**	210
	20,978	210

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

25. Discontinued operations

Analysis of profit for the period/year from discontinued operations

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

	2014	2013
	AED'000	AED'000
Revenue	**1,481**	2,322,364
Cost of sales	**(882)**	(842,375)
Gross profit	**599**	1,479,989
Expenses	**(928)**	(376,052)
Reversal of impairment on development properties	**-**	99,442
Profit on disposal of Gypsum business	**3,248**	-
Profit for the period/year	**2,919**	1,203,379
Attributable to:		
Shareholders of the Company	**2,919**	1,203,379
Non-controlling interests	**-**	-

Assets and liabilities over which control was lost

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

26. Acquisition of controlling interest

The transfer of the ownership interest to the Group in DRED as at 30 June 2014 has been treated as a common control transaction in these consolidated financial statements. The assets, liabilities, investment revaluation reserve and retained earnings of DRED have been transferred to the Company at net book value (Note 3) as the ultimate ownership in DRED remained identical prior to and subsequent to the transfer of the DRED equity to the Company.

Assets acquired and liabilities recognised

	2014 AED'000
Assets	
Cash and bank balances	6,115,568
Other financial assets	479,588
Financial investments	174,195
Trade and other receivables	2,007,653
Development properties	6,928,845
Property and equipment	55,493
Total assets	**15,761,342**
Liabilities	
Borrowings	30,870
Sukuk certificates	2,365,965
Trade and other payables	9,217,269
Provision for employees' end-of-service indemnity	23,520
Total liabilities	**11,637,624**
Net assets	**4,123,718**

Consideration transferred and Group Restructuring Reserve

	2014 AED'000
Consideration transferred towards interest in DRED	5,305,326
Net asset value transferred – at book value:	
Assets *	(13,510,622)
Liabilities *	9,975,771
	1,770,475
Reinstatement of reserves in DRED:	
Investment revaluation reserve *	315
Retained earnings *	3,142,020
Group Restructuring Reserve (Note 15)	**4,912,810**

* Represents 85.7% ownership interest

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

27. Contingent liabilities

	2014 **AED'000**	2013 AED'000
Bank guarantees	**881,341**	-

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 December 2014.

28. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2014 **AED'000**	2013 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**9,517,309**	1,539
Financial investments	**18,372**	4,936,750
	9,535,681	4,938,289
Financial liabilities		
At amortised cost	**4,508,641**	773,264

(c) Fair value of financial instruments

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

Fair value of financial instruments measured at amortised cost

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

28. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 December 2014	-	-	18,372	**18,372**
31 December 2013	4,936,750	-	-	4,936,750

29. Financial risk management

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

The Group does not hold or issue derivative financial instruments.

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

29. Financial risk management (continued)

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the period ended 31 December 2014 would decrease/increase by AED 9.8 million (31 December 2013: AED Nil). 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 (Saudi Riyal, Bahraini Dinar, Qatari Riyal, Iraqi Dinar, Jordanian Dinar and Lebanese Pound). As a result foreign currency transactions and balances to not represent significant currency risk to the Group.

(d) Credit risk management

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

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

29. Financial risk management (continued)

(e) Credit risk management (continued)

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

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

(f) 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 2014					
Non-interest bearing	**-**	**1,863,960**	**-**	**-**	**1,863,960**
Fixed interest rate instruments	**4.97**	**-**	**-**	**2,367,946**	**2,367,946**
Variable interest rate instruments	**3.51**	**203,285**	**73,450**	**-**	**276,735**
		2,067,245	**73,450**	**2,367,946**	**4,508,641**
31 December 2013					
Non-interest bearing	-	773,264	-	-	773,264
Fixed interest rate instruments	-	-	-	-	-
Variable interest rate instruments	-	-	-	-	-
		773,264	-	-	773,264

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

29. Financial risk management (continued)

(f) Liquidity risk management (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 2014					
Non-interest bearing	**-**	**7,275,861**	**-**	**-**	**7,275,861**
Variable interest rate instruments	**2.09**	**2,241,448**	**-**	**-**	**2,241,448**
		9,517,309	**-**	**-**	**9,517,309**
31 December 2013					
Non-interest bearing	-	1,539	-	-	1,539
Variable interest rate instruments	-	-	-	-	-
		1,539	-	-	1,539

30. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 16 and 17, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

31. Commitments

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

	2014 AED'000	2013 AED'000
Contracted for	**6,070**	-
Committed but not contracted for	**16,841**	-
	22,911	-

Notes to the consolidated financial statements
For the year ended 31 December 2014 (continued)

32. Earnings per share

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

	2014	2013
Profit for the year (AED'000)	**3,234,747**	1,202,801
Weighted average number of ordinary shares ('000)	**4,189,041**	4,189,041
Earnings per ordinary share - basic and diluted (AED)	**0.77**	0.29

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

33. Dividends

A dividend of AED 0.48 per share (2013: AED 0.40 per share) amounting to AED 2.4 billion (2013: AED 1.2 billion) was declared for the interim period ended 30 June 2014, out of which AED 1.8 billion was offset against amounts owed by the Chairman. A share dividend of AED 0.10 per share amounting to AED 0.5 billion for the year ended 31 December 2014 is proposed by the Board of Directors of the Company subject to the approval of the shareholders in the forthcoming Annual General Meeting.

34. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2014 were approved by the Board and authorised for issue on 8 February 2015.