Damac Properties Dubai Co. PJSC
Dubai - United Arab Emirates

Consolidated financial statements
and independent auditor's report
For the year ended 31 December 2015

Damac Properties Dubai Co. PJSC

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Damac Properties Dubai Co. PJSC

Directors' Report

The Board of Directors has the pleasure in submitting their report together with the audited consolidated financial statements of Damac Properties Dubai Co. PJSC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015. The profit for the year is AED 4,514.8 million (2014: AED 3,483.3 million).

Principal activities

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

The movement in retained earnings is as follows:

	AED'000	AED'000
Balance at 31 December 2014		4,072,517
Effect of change in accounting policy (Note 2.3)		597,673
Balance at 1 January 2015		4,670,190
Profit for the year		
Revenue	8,536,067	
Cost of sales	(3,469,006)	
Interest and other income	627,624	
Expenses	(1,179,855)	
Total		4,514,830
Transfer to statutory reserve		(177,276)
Acquisition of non-controlling interest in DRED (Note 3.3)		752,336
Issue of bonus shares (Note 33)		(1,050,000)
Cash dividend (Note 33)		(550,000)
Balance at 31 December 2015		**8,160,080**

On behalf of the Board of Directors



Chairman

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Damac Properties Dubai Co. PJSC
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Damac Properties Dubai Co. PJSC, Dubai, United Arab Emirates** (the "Company") **and its subsidiaries** (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and 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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Cont'd...

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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of accounts of the Group;

v) investment in shares and stocks are disclosed in note 3.3 and 10 to the consolidated financial statements of the Group and includes purchases and investments made by the Group during the year ended 31 December 2015;

vi) note 20 to the consolidated financial statements discloses material related party balances and transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015; and

viii) note 23 to the consolidated financial statements discloses the social contributions made during the year.

Deloitte & Touche (M.E.)



Musa Ramahi
Partner
Registration Number 872
Dubai, United Arab Emirates

10 February 2016

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Property and equipment	6	**63,875**	59,941
Development properties	7	**9,143,770**	8,553,738
Other financial assets	8	**788,655**	852,750
Trade and other receivables	9	**3,803,432**	2,729,027
Financial investments	10	**147,000**	18,372
Cash and bank balances	11	**9,500,765**	6,612,368
Total assets		**23,447,497**	18,826,196
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**6,050,000**	5,000,000
Statutory reserve	13	**533,643**	356,367
Group restructuring reserve	14	**(4,912,810)**	(4,912,810)
Retained earnings		**8,160,080**	4,072,517
Equity attributable to shareholders of the Company		**9,830,913**	4,516,074
Non-controlling interests	3.3	**-**	752,336
Total equity		**9,830,913**	5,268,410
Liabilities			
Bank borrowings	15	**1,024,905**	276,735
Sukuk certificates	16	**2,739,716**	2,367,946
Provision for employees' end-of-service indemnity	17	**33,270**	28,957
Advances from customers	18	**5,533,221**	7,295,131
Trade and other payables	19	**4,285,472**	3,548,672
Due to a related party	20	**-**	40,345
Total liabilities		**13,616,584**	13,557,786
Total equity and liabilities		**23,447,497**	18,826,196

Chairman **Director**

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

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Revenue	21	**8,536,067**	3,740,034
Cost of sales		**(3,469,006)**	(1,510,727)
Gross profit		**5,067,061**	2,229,307
Other operating income	22	**503,935**	38,443
General, administrative and selling expenses	23	**(873,848)**	(532,798)
Brokerage commission		**(140,738)**	(133,613)
Depreciation	6	**(12,630)**	(7,640)
Reversal of impairment on development properties	7	**-**	155,616
Gain realised on recognition of investment in an associate		**-**	1,281,963
Share of profits in an associate		**-**	457,992
Profit for the year from discontinued operations	25	**-**	2,919
Operating profit		**4,543,780**	3,492,189
Other income	24	**33,508**	20,978
Finance income		**90,181**	37,995
Finance costs		**(152,639)**	(67,878)
Profit for the year		**4,514,830**	3,483,284
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
- Gain realised on recognition of investment in an associate		**-**	(1,281,963)
- Revaluation reserve on financial investments recycled on disposal		**-**	(315)
Other comprehensive loss for the year		**-**	(764,715)
Total comprehensive income for the year		**4,514,830**	2,718,569

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

Consolidated statement of comprehensive income for the year ended 31 December 2015 (continued)

	Notes	2015 AED'000	2014 AED'000
Profit for the year attributable to:			
Shareholders of the Company		**4,514,830**	3,234,747
Non-controlling interests		**-**	248,537
		4,514,830	3,483,284
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**4,514,830**	2,469,987
Non-controlling interests		**-**	248,582
		4,514,830	2,718,569
Earnings per share			
Basic and diluted (AED)	**32**	**0.75**	0.62

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

Consolidated statement of changes in equity for the year ended 31 December 2015

	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 2014	3,000,000	305,326	-	764,400	98,237	**4,167,963**	-	**4,167,963**
Issue of new shares	2,000,000	-	-	-	-	**2,000,000**	-	**2,000,000**
Acquisition of controlling interest in DRED (Note 3.3 and 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	-	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**
Effect of change in accounting policy (Note 2.3)	-	-	-	-	597,673	**597,673**	-	**597,673**
Balance at 1 January 2015	5,000,000	356,367	(4,912,810)	-	4,670,190	**5,113,747**	752,336	**5,866,083**
Acquisition of non-controlling interest in DRED (Note 3.3)	-	-	-	-	752,336	**752,336**	(752,336)	-
Total comprehensive income for the year	-	-	-	-	4,514,830	**4,514,830**	-	**4,514,830**
Transfer to statutory reserve	-	177,276	-	-	(177,276)	-	-	-
Issue of bonus shares (Note 33)	1,050,000	-	-	-	(1,050,000)	-	-	-
Dividend (Note 33)	-	-	-	-	(550,000)	**(550,000)**	-	**(550,000)**
Balance at 31 December 2015	**6,050,000**	**533,643**	**(4,912,810)**	-	**8,160,080**	**9,830,913**	-	**9,830,913**

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

Consolidated statement of cash flows for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Profit for the year	**4,514,830**	3,483,284
Adjustments for:		
Depreciation of property and equipment (Note 6)	**12,630**	7,862
Provision for employees' end-of-service indemnity (Note 17)	**10,634**	5,685
Gain on disposal of financial investments (Note 24)	**-**	(1,089)
Loss on retirement of property and equipment	**578**	2,603
Amortisation of issue costs on Sukuk certificates (Note 16)	**9,783**	1,981
Gain realised on recognition of investment in an associate	**-**	(1,281,963)
Share of profits in an associate	**-**	(457,992)
Profit for the year from discontinued operations (Note 25)	**-**	(3,248)
Finance costs	**152,639**	67,878
Finance income	**(90,181)**	(37,995)
(Reversal of)/provision for impairment on trade receivables (Note 9)	**(4,267)**	80,775
Reversal of impairment on development properties (Note 7)	**-**	(155,616)
Operating cash flows before changes in operating assets and liabilities	**4,606,646**	1,712,165
Increase in trade and other receivables	**(1,034,140)**	(803,269)
Decrease in inventories	**-**	225
(Decrease)/increase in due to a related party	**(40,345)**	40,196
Increase in trade and other payables	**731,746**	940,779
Increase in development properties	**(1,187,428)**	(1,484,159)
(Decrease)/increase in advances from customers	**(582,085)**	658,442
Cash generated from operations	**2,494,394**	1,064,379
Finance costs paid	**(147,585)**	(40,386)
Interest received	**69,427**	39,145
Employees' end of service indemnity paid (Note 17)	**(6,321)**	(248)
Net cash generated from operating activities	**2,409,915**	1,062,890
Cash flows from investing activities		
Purchases of property and equipment (Note 6)	**(17,142)**	(14,691)
Decrease/(increase) in fixed deposits with an original maturity of greater than three months (Note 11)	**356,266**	(1,259,213)
Proceeds from disposal of financial investments	**-**	174,916
Acquisition of financial investments (Note 10)	**(128,628)**	(3,490)
Decrease/(increase) in other financial assets	**64,095**	(373,162)
Net cash outflow on discontinued operations (Note 25)	**-**	(814)
Net cash inflow on acquisition of controlling interest in DRED (Note 26)	**-**	6,115,568
Net cash generated from investing activities	**274,591**	4,639,114

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

Consolidated statement of cash flows for the year ended 31 December 2015 (continued)

	2015 AED'000	2014 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings during the year	**830,020**	276,735
Repayment of bank borrowings during the year	**(81,850)**	(30,870)
Net proceeds from issuance of Sukuk certificates (Note 16)	**361,987**	-
Dividend paid (Note 33)	**(550,000)**	(595,403)
Net cash generated from/(used in) financing activities	**560,157**	(349,538)
Net increase in cash and cash equivalents	**3,244,663**	5,352,466
Cash and cash equivalents at the beginning of the year	**5,353,155**	689
Cash and cash equivalents at the end of the year (Note 11)	**8,597,818**	5,353,155
Non-cash transactions		
Dividend (Note 33)	**(1,050,000)**	(1,841,111)
Acquisition of non-controlling interest in DRED (Note 3.3)	**(752,336)**	-
Acquisition of controlling interest in DRED (Note 26)	-	(5,305,326)

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

Notes to the consolidated financial statements for the year ended 31 December 2015

1. General information

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

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

The Parent and its subsidiaries 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 IFRSs 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 2015, 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.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to 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.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.	1 January 2016
Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.	1 January 2016

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS9 *Financial Instruments* (continued) • **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments:* Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

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

IFRS 15 *Revenue from contracts with customers* was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2015. Refer Note 3.5.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

2.3 New and revised IFRSs in issue but not yet effective that has been early adopted (continued)

The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening consolidated statement of financial position are detailed below:

	31 December 2014 AED'000	Adjustments/ reclassification AED'000	1 January 2015 AED'000
Assets			
Development properties	8,553,738	(597,396)	7,956,342
Trade and other receivables	2,729,027	15,244	2,744,271
Liabilities			
Advances from customers	7,295,131	(1,179,825)	6,115,306
Equity			
Retained earnings	4,072,517	597,673	4,670,190

3. Significant accounting policies

3.1 Statement of compliance

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

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

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.2 Basis of preparation

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements are presented in Arab Emirates Dirhams ("AED") which is the Group's reporting currency. The individual financial statements of each Group entity are prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

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

3.3 Basis of consolidation

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Acquisition of non-controlling interest in DRED

During the year, the eligible holders of Global Depository Receipts (the "GDRs") representing 14.3% of the ordinary shares of DAMAC Real Estate Development Limited, DIFC ("DRED") were made an offer by the Company to exchange their GDRs for ordinary shares of the Company at a defined exchange rate which was accepted by all eligible holders. The offer closed on 9 January 2015 and the shares issued by the Company were listed on the Dubai Financial Market on 12 January 2015.

As the Company's interest in DRED became 100% the resulting change in non-controlling interest was recorded in equity.

3.4 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 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 is recognised immediately in the consolidated statement of comprehensive income as a bargain purchase gain.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of comprehensive income.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to 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. Those provisional amounts are adjusted during the measurement period (see above), 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 from contracts with customers

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

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

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

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

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

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

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

Management fees

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

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.

3.6 Development properties

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

Cost principally includes the cost of the land 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.

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.8 Property and equipment (continued)

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

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

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

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

3.9 Impairment of tangible assets

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

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 2014 and 31 December 2015, the Group did not have any finance leases and all leases have been classified as operating leases.

The Group as lessee

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

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

3.12 Foreign currencies

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

Exchange differences are recognised in the consolidated statement of comprehensive income 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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

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 29.

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

Effective interest method

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

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

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

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of comprehensive income.

Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated statement of comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of comprehensive income.

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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

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

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

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (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 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 *Income Taxes*, and has determined that the Group has no such tax exposures at the year end.

3.15 Borrowing costs

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

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

3.16 Statutory reserve

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 Cash and cash equivalents

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

3.18 Segment reporting

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (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 comprehensive income.

Impairment of development properties

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

At 31 December 2015, the Group 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 which resulted in impairment of AED Nil (2014: Impairment reversal of AED 155.6 million) as at 31 December 2015.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

Critical accounting judgments in applying accounting policies (continued)

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.

Financial investments

Financial investments represents the Group's 20% equity interest in a related entity (Note 10). Management has assessed the impact of IAS 28 *Investments in Associates and Joint Ventures* and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

Key sources of estimation uncertainty

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

Going concern assumption

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

Completion of projects

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

Provision for impairment on trade receivables

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

Key sources of estimation uncertainty (continued)

Useful lives of 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. Segment analysis

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

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

	2015 **AED'000**	2014 AED'000
Revenue		
Domestic	**7,988,443**	3,687,481
International	**547,624**	52,553
Total revenue	**8,536,067**	3,740,034
Development properties		
Domestic	**7,394,667**	6,597,958
International	**1,749,103**	1,955,780
Total development properties	**9,143,770**	8,553,738

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

6. Property and equipment

	Buildings AED'000	Furniture and fixtures AED'000	Tools and office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 January 2014	3,000	41	2,258	247	5,546
Additions	-	4,365	9,682	644	14,691
Write-off	-	(4,634)	-	-	(4,634)
Acquisition of controlling interest in DRED (Note 26)	-	67,620	64,680	4,410	136,710
Derecognised on discontinued operations (Note 25)	(3,000)	(41)	(2,258)	(247)	(5,546)
At 1 January 2015	-	67,351	74,362	5,054	146,767
Additions	-	4,145	12,635	362	17,142
Eliminated on disposal	-	-	-	(987)	(987)
At 31 December 2015	**-**	**71,496**	**86,997**	**4,429**	**162,922**
Accumulated depreciation					
At 1 January 2014	1,600	32	1,867	152	3,651
Charge for the year - DRED	-	3,436	4,079	125	7,640
Charge for the year - Discontinued operations (Note 25)	100	2	104	16	222
Write off	-	(2,031)	-	-	(2,031)
Acquisition of controlling interest in DRED (Note 26)	-	40,793	38,586	1,838	81,217
Derecognised on discontinued operations (Note 25)	(1,700)	(34)	(1,971)	(168)	(3,873)
At 1 January 2015	-	42,198	42,665	1,963	86,826
Charge for the year	-	2,090	9,798	742	12,630
Eliminated on disposal	-	-	-	(409)	(409)
At 31 December 2015	**-**	**44,288**	**52,463**	**2,296**	**99,047**
Carrying value					
As at 31 December 2015	**-**	**27,208**	**34,534**	**2,133**	**63,875**
As at 31 December 2014	-	25,153	31,697	3,091	59,941

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7. Development properties

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	**8,553,738**	-
Effect of change in accounting policy (Note 2.3)	**(597,396)**	-
	7,956,342	-
Acquisition of controlling interest in DRED	**-**	6,928,845
Additions	**4,653,136**	2,993,138
Transfer to cost of sales	**(3,465,708)**	(1,508,979)
Transfers to a related party (Note 20)	**-**	(14,882)
Reversal of impairment	**-**	155,616
Balance at the end of the year	**9,143,770**	8,553,738

Impairment of development properties

At 31 December 2015, the Group reviewed the carrying value of its land held for future development, properties under development and completed properties by assessing the net realisable value of each project. The key judgment in this review was estimating the realisable value of a project, which is determined by forecasting sales rates, expected sales prices and estimated costs to complete. In support of the review work performed, the Group engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

This review resulted in an impairment of AED Nil (2014: Impairment reversal of AED 155.6 million), reflecting stable macroeconomic conditions 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:

	2015 AED'000	2014 AED'000
Land held for future development	**1,725,497**	514,744
Properties under development	**6,788,416**	6,894,555
Completed properties	**629,857**	1,144,439
	9,143,770	8,553,738

No borrowing costs have been capitalised to development properties.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

8. Other financial assets

	2015 AED'000	2014 AED'000
Escrow retention accounts	**773,269**	839,859
Margin deposits	**8,560**	10,202
Other	**6,826**	2,689
	788,655	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 2015, margin deposits are held by banks under lien against credit facilities issued to the Group which carries interest at commercial rates.

9. Trade and other receivables

	2015 AED'000	2014 AED'000
Trade receivables	**3,150,882**	2,254,194
Less: Provision for impairment on trade receivables	**(198,886)**	(203,153)
	2,951,996	2,051,041
Advances and deposits	**800,967**	629,476
Prepayments and other receivables	**50,469**	48,510
	3,803,432	2,729,027

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

Movement in the provision for impairment on trade receivables:

	2015 AED'000	2014 AED'000
Balance at beginning of the year	**203,153**	-
Acquisition of controlling interest in DRED	**-**	122,378
Net provision for the year (Note 23)	**(4,267)**	80,775
Balance at end of the year	**198,886**	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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

9. Trade and other receivables (continued)

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

	Neither past due nor impaired AED'000	Past due but not impaired			
		1 - 60 days AED'000	61 - 180 days AED'000	181 - 270 days AED'000	Total AED'000
31 December 2015	**2,709,260**	**118,525**	**85,635**	**38,576**	**2,951,996**
31 December 2014	1,803,223	99,407	131,218	17,193	2,051,041

Ageing of impaired trade receivables is as follows:

	1 - 60 days AED'000	61 - 180 days AED'000	181 - 270 days AED'000	Above 270 days AED'000	Total AED'000
31 December 2015	**15,969**	**22,960**	**13,213**	**146,744**	**198,886**
31 December 2014	7,469	43,912	66,599	85,173	203,153

10. Financial investments

During the year, the Group increased its investment in Damac International Limited, a related entity, from AED 18.4 millon to AED 147 million which represents a 20% equity interest in the related entity.

11. Cash and bank balances

	2015 AED'000	2014 AED'000
Cash on hand	**14,397**	566
Cash held in escrow	**8,446,029**	5,190,196
Bank balances	**82,083**	32,908
Fixed deposits	**958,256**	1,388,698
Cash and bank balances	**9,500,765**	6,612,368
Less: Fixed deposits with an original maturity of greater than three months	**(902,947)**	(1,259,213)
Cash and cash equivalents	**8,597,818**	5,353,155

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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

12. Share capital

	2015 AED'000	2014 AED'000
Issued, subscribed and fully paid shares of AED 1 each	**6,050,000**	5,000,000

During 2015, the Company issued bonus shares consequent to which the total number of issued, subscribed and fully paid up shares of the Company increased to 6.05 billion (Note 33).

13. 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.

14. Group restructuring reserve

On 30 June 2014, identifiable assets, liabilities, investment revaluation reserve and retained earnings of the DRED Group were acquired at net book value in consideration for amounts receivable from the Chairman. The difference between the net book value and the receivable was classified as a Group Restructuring Reserve (Note 26). This reserve is not distributable.

15. Bank borrowings

	2015 AED'000	2014 AED'000
Bank loans	**740,589**	146,900
Overdrafts	**284,316**	129,835
	1,024,905	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 Group has the following unsecured interest-bearing loans and borrowings:

- AED 147 million (US$ 40 million) term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, fully repayable by 2016. During the year, AED 73.5 million (US$ 20 million) was repaid.
- AED 275.4 million (US$ 75 million) revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2016.
- AED 50 million (US$ 13.6 million) term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. During the year, AED 8.3 million (US$ 2.3 million) was repaid.
- AED 350 million (US$ 95.2 million) Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

15. Bank borrowings (continued)

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

	2015 AED'000	2014 AED'000
On demand or within one year	**649,955**	203,285
In the second year	**374,950**	73,450
	1,024,905	276,735

16. Sukuk certificates

	2015 AED'000	2014 AED'000
Proceeds from the issue of Sukuk Certificates	**2,756,250**	2,388,750
Gross issue costs	**(28,666)**	(23,153)
Less: Amortised upto year end	**12,132**	2,349
Unamortised issue costs	**(16,534)**	(20,804)
Carrying amount	**2,739,716**	2,367,946

Movement in unamortised issue costs

	2015 AED'000	2014 AED'000
Opening balance	**20,804**	-
Acquisition of controlling interest in DRED	**-**	22,785
Issue costs incurred	**5,513**	-
Amortised during the year	**(9,783)**	(1,981)
Unamortised issue costs as at year end	**16,534**	20,804

- On 9 April 2014, the Group issued US$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee with the 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 2015 (continued)

16. Sukuk certificates (continued)

- On 21 September 2015, the Group issued US$ 100 million SUKUK TRUST CERTIFICATES maturing in 2017. Alpha Star Holding II Limited is the Issuer and Trustee with the DRED as Guarantor. The Sukuk was fully subscribed by a UAE financial institution. The Certificates represent the right to receive certain payments arising from an undivided ownership interest in the Trust Assets declared by the Trustee pursuant to the Declaration of Trust.

  The Trust Certificates are secured by the assigned trust assets and carry interest at three months LIBOR plus 3.25% per annum.

17. Provision for employees' end-of-service indemnity

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	**28,957**	313
Acquisition of controlling interest in DRED (Note 26)	**-**	23,520
Charge for the year	**10,634**	5,685
Payments made during the year	**(6,321)**	(248)
Derecognised on discontinued operations (Note 25)	**-**	(313)
Balance at the end of the year	**33,270**	28,957

18. Advances from customers

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	**7,295,131**	-
Effect of change in accounting policy (Note 2.3)	**(1,179,825)**	-
	6,115,306	-
Acquisition of controlling interest in DRED (Note 26)	**-**	6,636,683
Amount billed during the year	**8,414,796**	4,409,378
Revenue recognised during the year	**(8,516,805)**	(3,728,917)
Other income recognised during the year (Note 22)	**(480,076)**	(22,013)
Balance at the end of the year	**5,533,221**	7,295,131

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

19. Trade and other payables

	2015 AED'000	2014 AED'000
Accruals	**875,212**	612,530
Other payables	**680,459**	794,386
Retentions payable	**612,170**	416,699
Deferred consideration for land payments	**2,117,631**	1,725,057
	4,285,472	3,548,672

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 between 5% and 15% of work done.

20. Related party transactions

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

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

	2015 AED'000	2014 AED'000
Due to a related party		
Due to an entity under the Chairman's control	-	40,345

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

	2015 AED'000	2014 AED'000
Entities under the Chairman's control		
Construction works executed *(i)*	**(34,435)**	(111,666)
Investment in Damac International Limited (Note 10) *(ii)*	**(128,628)**	(3,490)
Transfers of development properties (Note 7) *(ii)*	-	(14,882)
Support services fees (Note 24) *(iii)*	**6,001**	-
Purchase of land plot	-	(117,600)
Sale of land plot	-	116,595

(i) Construction works executed

During the year, the Group utilised construction services worth AED 34.4 million from Draieh Contracting LLC, an entity under the control of the Chairman.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20. Related party transactions (continued)

(ii) Investment in Damac International Limited

During the year, the Group increased its investment in Damac International Limited, a related entity, from AED 18.4 million to AED 147 million (Note 10).

(iii) Support services fees

During the year the Group received AED 6 million from Damac International Limited, a related entity, towards support services rendered (Note 24).

Remuneration of key management personnel

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

	2015 AED'000	2014 AED'000
Short term employee benefits	**20,375**	4,601
Termination benefits – EOSB	**486**	173
	20,861	4,774

21. Revenue

	2015 AED'000	2014 AED'000
Apartment units	**5,633,951**	1,650,990
Sale of land	**2,902,116**	2,089,044
	8,536,067	3,740,034

22. Other operating income

	2015 AED'000	2014 AED'000
Penalties from overdue customers	**22,531**	16,089
Income from cancellation of units	**480,076**	22,013
Unit registration and transfer fees	**1,328**	341
	503,935	38,443

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

23. General, administrative and selling expenses

	2015 AED'000	2014 AED'000
Staff costs	**465,959**	228,696
Advertising and sales promotion	**192,664**	125,895
Rent and license fees	**58,211**	30,088
Legal and professional	**51,093**	18,712
Repairs and maintenance	**34,547**	16,030
Bank charges	**27,073**	13,124
Travel and conveyance	**20,864**	5,164
Communication	**12,196**	4,633
Social contribution	**2,000**	1,000
(Reversal of)/provision for impairment on trade receivables (Note 9)	**(4,267)**	80,775
Other	**13,508**	8,681
	873,848	532,798

24. Other income

	2015 AED'000	2014 AED'000
Property management fees	**19,124**	9,179
Gain on disposal of financial investments	**-**	1,089
Support services fees	**6,001**	-
Other	**8,383**	10,710
	33,508	20,978

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

25. Discontinued operations

On 30 June 2014, the Company disposed its Gypsum business for a consideration of AED 7 million. After this disposal, the Company became a holding company 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").

Analysis of profit for the year from discontinued operations

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

	2014 AED'000
Revenue	1,481
Cost of sales	(882)
Gross profit	599
Expenses	(706)
Depreciation	(222)
Profit on disposal	3,248
Profit for the year	2,919

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 2015 (continued)

26. Acquisition of controlling interest

Effective 30 June 2014 (the "Acquisition Date"), the Company was transferred 85.7% of the ownership interest in DRED. The transfer of the ownership interest was 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 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
Advances from customers	6,636,683
Trade and other payables	2,580,586
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 14)	4,912,810

* Represents 85.7% ownership interest acquired.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

27. Contingent liabilities

	2015 AED'000	2014 AED'000
Bank guarantees	**1,062,709**	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 2015.

28. Commitments

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

	2015 AED'000	2014 AED'000
Contracted for	**7,415,223**	6,070,486

29. 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

	2015 AED'000	2014 AED'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**13,263,321**	9,517,309
Financial investments	**147,000**	18,372
	13,410,321	9,535,681
Financial liabilities		
At amortised cost	**5,932,462**	4,508,641

(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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

29. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

Fair value of financial instruments measured at amortised cost

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

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

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

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 financial instruments 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).

As at the year end, the carrying value of the financial assets and financial liabilities approximates to their fair values. The entire portfolio of financial investments (Note 10) is classified as Level 3.

30. Financial risk management

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

The Group does not hold or issue derivative financial instruments.

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

30. Financial risk management (continued)

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by AED 3.6 million (2014: AED 9.8 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

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

(d) Credit risk management

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

30. Financial risk management (continued)

(e) Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2015:					
Non-interest bearing	-	**2,167,841**	-	-	**2,167,841**
Fixed interest rate instruments	**4.82**	-	**361,987**	**2,377,729**	**2,739,716**
Variable interest rate instruments	**3.81**	**649,955**	**374,950**	-	**1,024,905**
		2,817,796	**736,937**	**2,377,729**	**5,932,462**
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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

30. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	Less than 1 year AED'000	1 – 2 years AED'000	3 – 5 years AED'000	Total AED'000
31 December 2015:					
Non-interest bearing	-	**11,516,410**	-	-	**11,516,410**
Variable interest rate instruments	**1.87**	**1,746,911**	-	-	**1,746,911**
		13,263,321	-	-	**13,263,321**
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. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15 and Note 16, 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.

32. Earnings per share

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

	2015	2014
Profit for the year (AED'000)	**4,514,830**	3,234,747
Weighted average number of ordinary shares ('000)	**6,050,000**	5,239,041
Earnings per ordinary share – Basic and diluted (AED)	**0.75**	0.62

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

33. Dividend

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

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

An interim dividend of AED 0.49 per share amounting to AED 2.4 billion was declared for the period ended 30 June 2014. Out of this, AED 1.8 billion was offset against amounts owed by the Chairman and the balance was paid on 12 August 2014 to the Chairman and the GDR holders in relative proportion of their shareholding.

34. Comparative figures

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been reclassified in the consolidated statement of financial position and the consolidated statement of cash flows for the prior year ended 31 December 2014, as previously reported:

Extract of consolidated statement of financial position:

	As previously reported AED'000	*Reclassifications AED'000*	*As restated AED'000*
Liabilities – extract			
Advances from customers	-	7,295,131	7,295,131
Trade and other payables	10,843,803	(7,295,131)	3,548,672
	10,843,803	-	10,843,803

Extract of consolidated statement of cash flows:

	As previously reported AED'000	*Reclassifications AED'000*	*As restated AED'000*
Operating activities – extract			
Increase in advances from customers	-	658,442	658,442
Increase in trade and other payables	1,599,221	(658,442)	940,779
	1,599,221	-	1,599,221

35. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 was approved by the Board and authorised for issue on 10 February 2016.

DAMAC Real Estate Development Limited, DIFC
Dubai - United Arab Emirates

Consolidated financial statements
and independent auditor's report
For the year ended 31 December 2015

DAMAC Real Estate Development Limited, DIFC
Dubai - United Arab Emirates

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Dubai - United Arab Emirates

Directors' Report

The Board of Directors has the pleasure in submitting their report together with the audited consolidated financial statements of DAMAC Real Estate Development Limited, DIFC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015. The net profit for the year is US$ 1,228.9 million (2014: US$ 937 million).

Principal activities

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

The movement in retained earnings is as follows:

	US$ million	US$ million
Balance at 31 December 2014		1,309.0
Effect of change in accounting policy (Note 2.3)		162.6
Balance at 1 January 2015		1,471.6
Profit for the year		
Revenue	2,322.7	
Cost of sales	(943.9)	
Interest and other income	170.7	
Expenses	(320.6)	
Total		1,228.9
Dividend paid (Note 31)		(482.7)
Balance at 31 December 2015		**2,217.8**

On behalf of the Board of Directors

Chief Executive Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
DAMAC Real Estate Development Limited, DIFC
Dubai
United Arab Emirates

Audit Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of **DAMAC Real Estate Development Limited, DIFC** (the "Company") **and its subsidiaries** (together the "Group") as of 31 December 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Cont'd...

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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



10 February 2016

DAMAC Real Estate Development Limited, DIFC
Dubai - United Arab Emirates

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 US$ million	2014 US$ million
ASSETS			
Property and equipment	6	**17.4**	16.3
Development properties	7	**2,488.1**	2,327.5
Other financial assets	8	**214.6**	232.0
Trade and other receivables	9	**1,034.9**	742.6
Financial investments	10	**40.0**	5.0
Cash and bank balances	11	**2,585.3**	1,799.3
Total assets		**6,380.3**	5,122.7
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**983.0**	650.0
Statutory reserve	13	**41.3**	41.3
Group restructuring reserve	14	**(566.7)**	(566.7)
Retained earnings		**2,217.8**	1,309.0
Total equity		**2,675.4**	1,433.6
Liabilities			
Bank borrowings	15	**278.9**	75.3
Sukuk certificates	16	**745.5**	644.3
Provision for employees' end-of-service indemnity	17	**9.1**	7.9
Advances from customers	18	**1,505.6**	1,985.1
Trade and other payables	19	**1,165.8**	965.5
Due to a related party	20	**-**	11.0
Total liabilities		**3,704.9**	3,689.1
Total equity and liabilities		**6,380.3**	5,122.7

Chief Executive Officer

Director

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

Consolidated statement of comprehensive income for the year ended 31 December 2015

	Notes	2015 US$ million	2014 US$ million
Revenue	21	**2,322.7**	2,009.6
Cost of sales		**(943.9)**	(833.5)
Gross profit		**1,378.8**	1,176.1
Other operating income	22	**137.1**	47.8
General, administrative and selling expenses	23	**(237.4)**	(256.0)
Brokerage commission		**(38.3)**	(67.1)
Depreciation	6	**(3.4)**	(3.8)
Reversal of impairment on development properties	7	**-**	42.3
Operating profit		**1,236.8**	939.3
Other income	24	**9.1**	9.8
Finance income		**24.5**	15.1
Finance costs		**(41.5)**	(27.2)
Profit for the year		**1,228.9**	937.0
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss			
- Revaluation reserve on financial investments recycled on disposal		**-**	(0.5)
Total comprehensive income for the year		**1,228.9**	936.5
Earnings per share			
Basic and diluted (US$)	30	**1.53**	1.44

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

Consolidated statement of changes in equity for the year ended 31 December 2015

	Share capital US$ million	Statutory reserve US$ million	Group restructuring reserve US$ million	Investment revaluation reserve US$ million	Retained earnings US$ million	Total US$ million
Balance at 1 January 2014	650.0	41.3	(566.7)	0.5	534.0	659.1
Total comprehensive income for the year	-	-	-	(0.5)	937.0	936.5
Dividend paid (Note 31)	-	-	-	-	(162.0)	(162.0)
Balance at 31 December 2014	**650.0**	**41.3**	**(566.7)**	**-**	**1,309.0**	**1,433.6**
Effect of change in accounting policy (Note 2.3)	-	-	-	-	162.6	162.6
Balance at 1 January 2015	650.0	41.3	(566.7)	-	1,471.6	1,596.2
Total comprehensive income for the year	-	-	-	-	1,228.9	1,228.9
Issue of new shares (Note 12)	333.0	-	-	-	-	333.0
Dividend paid (Note 31)	-	-	-	-	(482.7)	(482.7)
Balance at 31 December 2015	**983.0**	**41.3**	**(566.7)**	**-**	**2,217.8**	**2,675.4**

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

Consolidated statement of cash flows
for the year ended 31 December 2015

	2015 US$ million	2014 US$ million
Cash flows from operating activities		
Profit for the year	**1,228.9**	937.0
Adjustments for:		
Depreciation of property and equipment (Note 6)	**3.4**	3.8
Provision for employees' end-of-service indemnity (Note 17)	**2.9**	3.3
Gain on disposal of financial investments	**-**	(0.2)
Loss on retirement of property and equipment	**0.2**	0.7
Amortisation of issue costs on Sukuk certificates (Note 16)	**2.7**	0.6
Finance costs	**41.5**	27.2
Finance income	**(24.5)**	(15.1)
(Reversal of)/provision for impairment on trade receivables (Note 9)	**(1.2)**	25.5
Reversal of impairment on development properties (Note 7)	**-**	(42.3)
Operating cash flows before changes in operating assets and liabilities	**1,253.9**	940.5
Increase in trade and other receivables	**(281.4)**	(358.8)
(Decrease)/increase in due to a related party	**(11.0)**	9.8
Increase in trade and other payables	**198.9**	382.3
Increase in development properties	**(323.1)**	(356.5)
(Decrease)/increase in advances from customers	**(158.5)**	269.8
Cash generated from operations	**678.8**	887.1
Finance costs paid	**(40.1)**	(19.7)
Interest received	**18.9**	15.3
Employees' end-of-service indemnity paid (Note 17)	**(1.7)**	(0.3)
Net cash generated from operating activities	**655.9**	882.4
Cash flows from investing activities		
Purchases of property and equipment (Note 6)	**(4.7)**	(8.3)
Decrease/(increase) in fixed deposits with an original maturity of greater than three months (Note 11)	**96.9**	(310.1)
Proceeds from disposal of financial investments	**-**	30.4
Acquisition of financial investments (Note 10)	**(35.0)**	(1.0)
Decrease/(increase) in other financial assets	**17.4**	(154.1)
Net cash generated from/(used in) investing activities	**74.6**	(443.1)

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

Consolidated statement of cash flows for the year ended 31 December 2015 (continued)

	2015 US$ million	2014 US$ million
Cash flows from financing activities		
Proceeds from bank borrowings during the year	**226.0**	75.3
Repayment of bank borrowings during the year	**(22.4)**	(85.3)
Net proceeds from issuance of Sukuk certificates (Note 16)	**98.5**	643.7
Increase in share capital (Note 12)	**333.0**	-
Dividend paid (Note 31)	**(482.7)**	(162.0)
Net cash generated from financing activities	**152.4**	471.7
Net increase in cash and cash equivalents	**882.9**	911.0
Cash and cash equivalents at the beginning of the year	**1,456.7**	545.7
Cash and cash equivalents at the end of the year (Note 11)	**2,339.6**	1,456.7

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

Notes to the consolidated financial statements for the year ended 31 December 2015

1. General information

DAMAC Real Estate Development Limited, DIFC was incorporated on 31 October 2013 as a Company Limited by shares (registration number 1476) with the Registrar of Companies of the Dubai International Financial Centre (the "DIFC") under the Companies Law, DIFC Law No. 2. The registered address of the Company is Office No. 206A, Level 2, Park Towers, Dubai International Financial Centre, P.O. Box 2195, Dubai, United Arab Emirates (U.A.E.).

The Company is 100% owned by Damac Properties Dubai Co. PJSC (the "Parent") whose majority shareholder is Mr. Hussain Ali Habib Sajwani (the "Chief Executive Officer"). The Company and its subsidiaries are involved in the development of properties in the Middle East.

During the year, the eligible holders of Global Depository Receipts (the "GDRs") representing ordinary shares of the Company were made an offer by the Parent to exchange their GDRs for ordinary shares of the Parent at a defined exchange rate. The offer closed on 9 January 2015 and the shares issued by the Parent were listed on the Dubai Financial Market on 12 January 2015.

Following the exchange of shares, the Company delisted its GDRs from the London Stock Exchange at which point the Parent's ownership increased from 85.7% to 100%.

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

2.1 New and revised IFRSs 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 2015, 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.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

- Amendments to IAS 19 *Employee Benefits* to 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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.	1 January 2016
Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (continued) • **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner as under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 16 *Leases* specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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

2.3 New IFRS in issue but not yet effective that has been early adopted

IFRS 15 *Revenue from contracts with customers* was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2015. Refer Note 3.5.

The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2015 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening consolidated statement of financial position are detailed below:

	31 December 2014 US$ million	Adjustments/ reclassification US$ million	1 January 2015 US$ million
Assets			
Development properties	2,327.5	(162.5)	2,165.0
Trade and other receivables	742.6	4.1	746.7
Liabilities			
Advances from customers	1,985.1	(321.0)	1,664.1
Equity			
Retained earnings	1,309.0	162.6	1,471.6

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.2 Basis of preparation (continued)

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

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

The consolidated financial statements are presented in United States Dollars ("US$") which is the Group's reporting currency. The individual financial statements of each Group entity are prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

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

3.3 Basis of consolidation

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries (excluding branches) listed below which in total are 76 (2014: 76) companies (together the "Group").

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Damac Crescent Properties Co LLC	U.A.E.	Real estate development	100%	100%
Damac Luxury Real Estate Properties Co LLC	U.A.E.	Real estate development	100%	100%
Damac Heritage Properties Co LLC	U.A.E.	Real estate development	100%	100%
Damac General Trading LLC	U.A.E.	Holding company	100%	100%
Al Bawader Real Estate LLC	U.A.E.	Sales office	100%	100%
Frontline Investment Management Co. LLC	U.A.E.	Shell company	100%	100%
Al Aman Investment Management Co. LLC	U.A.E.	Holding company	100%	100%
Business Tower Investment LLC	U.A.E.	Real estate development	100%	100%
Damac Enterprises & Management Co. LLC	U.A.E.	Trade marks	100%	100%
Damac Media And Marketing LLC	U.A.E.	Marketing and public relations	100%	100%
Damac Properties Development Co LLC	U.A.E.	Holding company	100%	100%
Damac Properties Co. LLC	U.A.E.	Holding company	100%	100%
Marina Terrace Co. LLC	U.A.E.	Real estate development	100%	100%
Damac Gulf Properties LLC	U.A.E.	Real estate development	100%	100%
Lake Terrace Co. LLC	U.A.E.	Real estate development	100%	100%
Royal Crown Properties Co. LLC	U.A.E.	Holding company	100%	100%
Damac Star Properties LLC	U.A.E.	Real estate development	100%	100%
Island Oasis Properties LLC	U.A.E.	Real estate development	100%	100%
Damac Crescent Properties LLC	U.A.E.	Real estate development	100%	100%
Damac Development LLC	U.A.E.	Real estate development	100%	100%
Luxury Facilities Management Co. LLC	U.A.E.	Facilities management	100%	100%
Damac Tuscan Residence LLC	U.A.E.	Holding company	100%	100%

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Abraj Al Rakhaa General Trading Limited	Iraq	Real estate development	100%	100%
Global Properties Company Limited	U.A.E.	Real estate development	100%	100%
Middle East Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Fortune Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Lake View Company Limited	U.A.E.	Real estate development	100%	100%
Damac Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Park Towers Company Limited	U.A.E.	Real estate development	100%	100%
Excel Operations Company Limited	U.A.E.	Holding company	100%	100%
Damac Crown Properties Company Limited	U.A.E.	Real estate development	100%	100%
Damac Investment & Properties (Jordan) LLC	Jordan	Real estate development	100%	100%
Al-Imaratieh Properties LLC	Jordan	Real estate development	100%	100%
Damac Lebanon SAL (Holding)	Lebanon	Holding company	100%	100%
Damac Properties Lebanon SAL	Lebanon	Real estate development	100%	100%
Damac Properties International Limited	Mauritius	Holding company	100%	100%
Damac Enterprises Co. Ltd	Mauritius	Trade marks	100%	100%
Damac Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
The Waves FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Real Estate Developers FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Properties FZ LLC	U.A.E.	Real estate development	100%	100%
Damac Real Estate Services Co. LLC	U.A.E.	Holding company	100%	100%
Namaa Properties Development LLC	U.A.E.	Real estate development	100%	100%
Damac Homes LLC	U.A.E.	Group treasury operation	100%	100%
Kings Valley Investment Co LLC	U.A.E.	Shell company	100%	100%
Damac Properties Services Co. Shj LLC	U.A.E.	Sales office	49%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Project development	49%	100%
Quality Investment Co. LLC	U.A.E.	Shell company	100%	100%
Damac Properties Qatar WLL	Qatar	Holding company	100%	100%
Ocean Pearl Real Estate Company LLC	U.A.E.	Real estate development	100%	100%
Bright India Investments Limited	BVI	Shell company	100%	100%
Luxury Owners Association Management LLC	U.A.E.	Facilities management	100%	100%
Majara Investments Limited	BVI	Investment company	100%	100%
Ali Habib Kukar's Real Estate Office	Saudi Arabia	Sales office	0%	100%
Arjann Holdings Limited	BVI	Shell company	100%	100%
Middle East Dubai	Qatar	Shell Company	100%	100%
Premier Vision Property Development	Qatar	Shell company	100%	100%
Heritage Properties	Qatar	Shell company	100%	100%
Alpha Star Holding Limited	Cayman Islands	Holding company	0%	100%
Priority Holding Limited	Cayman Islands	Trust arrangement	100%	100%
Maksab Holding Limited	BVI	Holding company	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	Real estate development	100%	100%

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Entity	Country of incorporation	Principal activities	Legal interest	Economic interest
Elegance Marketing Co. LLC	U.A.E.	Marketing and public relations	100%	100%
Damac Hotels & Resorts Management LLC	U.A.E.	Hotels management	100%	100%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Blue Eagle Investment Co. LLC	U.A.E.	Trust arrangement	100%	100%
Damac TR Holding Co Ltd	U.A.E.	Holding company	100%	100%
Damac FC Holding Co Ltd	U.A.E.	Holding company	100%	100%
Damac Private Real Estate Management LLC	U.A.E.	Investment company	100%	100%
Damac Business Village LLC	U.A.E.	Sales office	100%	100%
Damac World Real Estate LLC	U.A.E.	Sales office	100%	100%
Alpha Star Holding II Limited	Cayman Islands	Trust arrangement	0%	100%
Damac Canal One Property Development LLC *	U.A.E.	Real estate development	100%	100%
Damac Canal Two Property Development LLC*	U.A.E.	Real estate development	100%	100%
JA Parks LLC *	U.A.E.	Real estate development	100%	100%

* These are newly incorporated entities that became part of the Group during the year.

There are certain entities included in the table above for which the Group's legal ownership has been less than 100%. These are entities whose shares have been held for and on behalf of the Parent and for each such entity the Parent's economic interest is 100%.

The beneficial ownership of the above entities is with the Group either directly or indirectly through beneficial ownership agreements. All balances and transactions between Group entities consolidated in these consolidated financial statements have been eliminated upon consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

During the year the Group liquidated its following subsidiaries:

Entity	Country of incorporation	Principal activities
Prosperity Trading WOFE	China	Trading company
Damac Ocean Heights Co. LLC	United Arab Emirates	Sales office

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are generally recognised in the consolidated statement of comprehensive income as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 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 is recognised immediately in the consolidated statement of comprehensive income as a bargain purchase gain.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Significant accounting policies (continued)

3.4 Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of comprehensive income.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to 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. Those provisional amounts are adjusted during the measurement period (see above), 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 from contracts with customers

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

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.5 Revenue recognition (continued)

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

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

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

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

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

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

Management fees

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

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.

3. Significant accounting policies (continued)

3.6 Development properties

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

Cost principally includes the cost of the land, 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.

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.8 Property and equipment (continued)

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

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

3.9 Impairment of tangible assets

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

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

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

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

3.10 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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.11 Leases

For the years ended 31 December 2015 and 31 December 2014, the Group did not have any finance leases and all leases have been classified as operating leases.

The Group as lessee

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

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

3.12 Foreign currencies

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

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

Exchange differences are recognised in the consolidated statement of comprehensive income 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.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

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 27.

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

Effective interest method

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

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 the financial asset because of financial difficulties.

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

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

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of comprehensive income.

Reversals of impairment losses on debt instruments classified as available-for-sale are reversed through the consolidated statement of comprehensive income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of comprehensive income.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Significant accounting policies (continued)

3.13 Financial instruments (continued)

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

Financial liabilities

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

Derecognition of financial liabilities

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

3.14 Taxation

There is no income tax applicable to the Group operations in the 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 *Income Taxes*, and has determined that the Group has no such tax exposures at the year end.

3.15 Borrowing costs

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

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

3.16 Statutory reserve

In accordance with the Commercial Companies Law in the respective countries of operation and Articles of Association of the respective entities in the Group, 10% of profit for the year is required to be transferred to statutory reserve for certain entities. The respective entities may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the individual paid up share capital of such entities. The reserve is not available for distribution except in the circumstances stipulated by the Commercial Companies Law in the respective countries of operation and the Articles of Association of the respective entities in the Group.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

3.17 Cash and cash equivalents

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

3.18 Segment reporting

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

4. Critical accounting 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 comprehensive income.

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

At 31 December 2015, the Group 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 which resulted in an impairment of US$ Nil during the year (2014: impairment reversal of US$ 42.3 million).

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.

Financial investments

Financial investments represents the Group's 20% equity interest in a related entity (Note 10). Management has assessed the impact of IAS 28 *Investments in Associates and Joint Ventures* and has concluded that the Group does not have any significant influence in the form of participation in the financial and operating policy decisions of the investee and hence the investment has not been accounted for as an 'Associate'.

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.

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

Useful lives of 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. Segment analysis

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

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

	2015 **US$ million**	2014 US$ million
Revenue		
Domestic	**2,173.7**	1,799.2
International	**149.0**	210.4
Total revenue	**2,322.7**	2,009.6
Development properties		
Domestic	**2,012.2**	1,795.4
International	**475.9**	532.1
Total development properties	**2,488.1**	2,327.5

6. Property and equipment

	Furniture and fixtures US$ million	Tools and office equipment US$ million	Motor vehicles US$ million	Total US$ million
Cost				
At 1 January 2014	17.9	14.6	0.8	33.3
Additions	2.3	5.5	0.5	8.3
Write-off	(1.3)	-	-	(1.3)
At 1 January 2015	18.9	20.1	1.3	40.3
Additions	1.0	3.6	0.1	4.7
Eliminated on disposal	-	-	(0.2)	(0.2)
At 31 December 2015	**19.9**	**23.7**	**1.2**	**44.8**
Accumulated depreciation				
At 1 January 2014	10.9	9.5	0.4	20.8
Charge for the year	1.7	2.0	0.1	3.8
Write-off	(0.6)	-	-	(0.6)
At 1 January 2015	12.0	11.5	0.5	24.0
Charge for the year	0.5	2.8	0.1	3.4
At 31 December 2015	**12.5**	**14.3**	**0.6**	**27.4**
Net book value				
At 31 December 2015	**7.4**	**9.4**	**0.6**	**17.4**
At 31 December 2014	6.9	8.6	0.8	16.3

7. Development properties

	2015 US$ million	2014 US$ million
Balance at the beginning of the year	**2,327.5**	1,932.7
Effect of change in policy (Note 2.3)	**(162.5)**	-
	2,165.0	1,932.7
Additions	**1,266.1**	1,189.5
Transfer to cost of sales	**(943.0)**	(833.0)
Transfers to a related party (Note 20)	-	(4.0)
Reversal of impairment	-	42.3
Balance at the end of the year	**2,488.1**	2,327.5

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

7. Development properties (continued)

Impairment of development properties

At 31 December 2015, the Group 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, the Group engaged an independent external valuation expert to determine the market value for each of the projects including the expected sales prices.

This review resulted in an impairment reversal of US$ Nil during the year (2014: impairment reversal of US$ 42.3 million), reflecting stable macroeconomic conditions 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:

	2015 US$ million	2014 US$ million
Land held for future development	**469.5**	140.1
Properties under development	**1,847.2**	1,876.1
Completed properties	**171.4**	311.3
	2,488.1	2,327.5

8. Other financial assets

	2015 US$ million	2014 US$ million
Escrow retention accounts	**210.4**	228.5
Margin deposits	**2.3**	2.8
Other	**1.9**	0.7
	214.6	232.0

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 2015, margin deposits are held by banks under lien against credit facilities issued to the Group and carry interest at commercial rates.

9. Trade and other receivables

	2015 US$ million	2014 US$ million
Trade receivables	**857.4**	613.4
Less: Provision for impairment on trade receivables	**(54.1)**	(55.3)
	803.3	558.1
Advances and deposits	**218.0**	171.3
Prepayments and other receivables	**13.6**	13.2
	1,034.9	742.6

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

Movement in the provision for impairment on trade receivables:

	2015 US$ million	2014 US$ million
Balance at beginning of the year	**55.3**	29.8
Net (reversal)/provision for the year (Note 23)	**(1.2)**	25.5
Balance at end of the year	**54.1**	55.3

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

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

	Neither past due nor impaired US$ million	Past due but not impaired			
		1 - 60 days US$ million	61 - 180 days US$ million	181 - 270 days US$ million	Total US$ million
31 December 2015	**737.2**	**32.3**	**23.3**	**10.5**	**803.3**
31 December 2014	490.7	27.0	35.7	4.7	558.1

9. Trade and other receivables (continued)

Ageing of impaired trade receivables is as follows:

	1 - 60 days US$ million	61 - 180 days US$ million	181 - 270 days US$ million	Above 270 days US$ million	Total US$ million
31 December 2015	**4.3**	**6.2**	**3.6**	**40.0**	**54.1**
31 December 2014	2.0	11.9	18.2	23.2	55.3

10. Financial investments

During the year, the Group increased its investment in Damac International Limited, a related entity, from US$ 5 million to US$ 40 million which represents a 20% (2014: 10%) equity interest in the related entity.

11. Cash and bank balances

	2015 US$ million	2014 US$ million
Cash on hand	**3.9**	0.2
Cash held in escrow	**2,298.2**	1,412.3
Bank balances	**22.3**	8.9
Fixed deposits	**260.9**	377.9
Cash and bank balances	**2,585.3**	1,799.3
Less: Fixed deposits with an original maturity of greater than three months	**(245.7)**	(342.6)
Cash and cash equivalents	**2,339.6**	1,456.7

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

12. Share capital

	2015 US$ million	2014 US$ million
Issued, subscribed and fully paid shares of US$ 1 each	**983.0**	650.0

During 2015, the Company received US$ 150 million towards increase in share capital pursuant to Board of Directors' resolution dated 29 March 2015 and the shares were issued on 16 April 2015. In addition, the Company received a further US$ 183 million towards increase in share capital pursuant to Board of Directors' resolution dated 29 September 2015 and these shares were issued on 30 September 2015.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

13. Statutory reserve

In accordance with the Commercial Companies Laws in the respective countries of operation and Articles of Association of the respective entities in the Group, 10% of profit for the year is required to be transferred to statutory reserve for certain entities. The respective entities may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital of such entities. The reserve is not available for distribution except in the circumstances stipulated by the Commercial Companies Laws in the respective countries of operation and the Articles of Association of the respective entities in the Group.

14. Group restructuring reserve

The group restructuring reserve arose upon the group restructuring which took place on 3 December 2013. This reserve is not distributable.

15. Bank borrowings

	2015 US$ million	2014 US$ million
Bank loans	**201.5**	40.0
Overdrafts	**77.4**	35.3
	278.9	75.3

Banks and financial institutions

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

The Group has the following unsecured interest-bearing loans and borrowings:

- US$ 40 million term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.25% per annum, fully repayable by 2016. During the year, US$ 20 million was repaid.
- US$ 75 million revolving term loan facility with a commercial bank bearing interest at 3 months LIBOR plus 3.75% per annum, repayable by 2016.
- US$ 13.6 million (AED 50 million) term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018. During the year, US$ 2.3 million (AED 8.3 million) was repaid.
- US$ 95.2 million (AED 350 million) Ijarah facility with a commercial bank at a profit rate of 3 months EIBOR plus 3.5% per annum, repayable by 2017.

15. Bank borrowings (continued)

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

	2015 US$ million	2014 US$ million
On demand or within one year	**176.9**	55.3
In the second year	**102.0**	20.0
	278.9	75.3

16. Sukuk certificates

	2015 US$ million	2014 US$ million
Proceeds from the issue of Sukuk Certificates	**750.0**	650.0
Gross issue costs	**(7.8)**	(6.3)
Less: Amortised upto year end	**3.3**	0.6
Unamortised issue costs	**(4.5)**	(5.7)
Carrying amount	**745.5**	644.3

- On 9 April 2014, the Group issued US$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer and Trustee with the Company as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the ''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.

- On 21 September 2015, the Group issued US$ 100 million SUKUK TRUST CERTIFICATES maturing in 2017. Alpha Star Holding II Limited is the Issuer and Trustee with the Company as Guarantor. The Sukuk was fully subscribed by a UAE financial institution. The Certificates represent the right to receive certain payments arising from an undivided ownership interest in the Trust Assets declared by the Trustee pursuant to the Declaration of Trust.

  The Trust Certificates are secured by the assigned trust assets and carry interest at three months LIBOR plus 3.25% per annum.

17. Provision for employees' end-of-service indemnity

	2015 US$ million	2014 US$ million
Balance at the beginning of the year	**7.9**	4.9
Charge for the year	**2.9**	3.3
Payments made during the year	**(1.7)**	(0.3)
Balance at the end of the year	**9.1**	7.9

18. Advances from customers

	2015 US$ million	2014 US$ million
Balance at the beginning of the year	**1,985.1**	1,715.3
Effect of change in accounting policy (Note 2.3)	**(321.0)**	-
	1,664.1	1,715.3
Amount billed during the year	**2,289.6**	2,314.0
Revenue recognised during the year	**(2,317.5)**	(2,003.7)
Other income recognised during the year (Note 22)	**(130.6)**	(40.5)
Balance at the end of the year	**1,505.6**	1,985.1

19. Trade and other payables

	2015 US$ million	2014 US$ million
Accruals	**238.1**	166.7
Other payables	**184.9**	216.0
Retentions payable	**166.6**	113.4
Deferred consideration for land payments	**576.2**	469.4
	1,165.8	965.5

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 between 5% and 15% of work done.

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20. Related party transactions

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

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

	2015 US$ million	2014 US$ million
Due to a related party		
Due to an entity under the Chief Executive Officer's control	-	11.0

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

	2015 US$ million	2014 US$ million
Entities under the Chief Executive Officer's control		
Construction works executed *(i)*	**(9.4)**	(30.4)
Investment in Damac International Limited (Note 10) *(ii)*	**(35.0)**	(1.0)
Transfers of development properties (Note 7) *(ii)*	-	(4.0)
Support services fees (Note 24) *(iii)*	**1.6**	-
Purchase of land plot	-	(32.0)
Sale of land plot	-	31.7

(i) Construction works executed

During the year, the Group utilised construction services worth US$ 9.4 million from Draieh Contracting LLC, an entity under the control of the Chief Executive Officer.

(ii) Investment in Damac International Limited

During the year, the Group increased its investment in Damac International Limited, a related entity, from US$ 5 million to US$ 40 million (Note 10).

(iii) Support services fees

During the year the Group received US$ 1.6 million from Damac International Limited, a related entity, towards support services rendered (Note 24).

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

20. Related party transactions (continued)

Remuneration of key management personnel

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

	2015 US$ million	2014 US$ million
Short term employee benefits	**5.5**	2.4
Termination benefits – EOSB	**0.1**	0.1
	5.6	2.5

21. Revenue

	2015 US$ million	2014 US$ million
Apartment units	**1,533.0**	1,136.1
Sale of land	**789.7**	873.5
	2,322.7	2,009.6

22. Other operating income

	2015 US$ million	2014 US$ million
Penalties from overdue customers	**6.1**	7.0
Income from cancellation of units	**130.6**	40.5
Unit registration and transfer fees	**0.4**	0.3
	137.1	47.8

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

23. General, administrative and selling expenses

	2015 US$ million	2014 US$ million
Staff costs	**126.8**	114.7
Advertising and sales promotion	**52.4**	57.1
Rent and license fees	**15.8**	16.8
Legal and professional	**13.9**	14.1
Repairs and maintenance	**9.4**	9.7
Bank charges	**7.4**	6.0
Travel and conveyance	**5.7**	2.5
Communication	**3.3**	2.5
(Reversal of)/provision for impairment on trade receivables (Note 9)	**(1.2)**	25.5
Other	**3.9**	7.1
	237.4	256.0

24. Other income

	2015 US$ million	2014 US$ million
Property management fees	**5.2**	4.5
Gain on disposal of financial investments	**-**	0.6
Support services fees	**1.6**	-
Other	**2.3**	4.7
	9.1	9.8

25. Contingent liabilities

	2015 US$ million	2014 US$ million
Bank guarantees	**289.2**	239.8

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at 31 December 2015.

26. Commitments

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

	2015 US$ million	2014 US$ million
Contracted for	**2,017.8**	1,651.8

27. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2015 US$ million	2014 US$ million
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,609.2**	2,589.7
Financial investments	**40.0**	5.0
	3,649.2	2,594.7
Financial liabilities		
At amortised cost	**1,614.0**	1,226.8

(c) Fair value of financial instruments

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

Fair value of financial instruments measured at amortised cost

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

27. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

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.

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 financial instruments 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).

As at the year end, the carrying value of the financial assets and financial liabilities approximates to their fair values. The entire portfolio of financial investments (Note 10) is classified as Level 3.

28. Financial risk management

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

The Group does not hold or issue derivative financial instruments.

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

28. Financial risk management (continued)

(a) Market risk

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

The Group does not hold or issue derivative financial instruments.

(b) Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by US$ 1.0 million (31 December 2014: US$ 2.6 million). This is mainly attributable to the Group's exposure to variable rate financial instruments.

(c) Foreign currency risk management

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

(d) Credit risk management

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28. Financial risk management (continued)

(e) Liquidity risk management

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

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year US$ million	1 – 2 years US$ million	3 – 5 years US$ million	Total US$ million
31 December 2015:					
Non-interest bearing	-	**589.6**	-	-	**589.6**
Fixed interest rate instruments	**4.82**	-	**98.5**	**647.0**	**745.5**
Variable interest rate instruments	**3.81**	**176.9**	**102.0**	-	**278.9**
		766.5	**200.5**	**647.0**	**1,614.0**
31 December 2014:					
Non-interest bearing	-	507.2	-	-	507.2
Fixed interest rate instruments	4.97	-	-	644.3	644.3
Variable interest rate instruments	3.51	55.3	20.0	-	75.3
		562.5	20.0	644.3	1,226.8

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

28. Financial risk management (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate %	Less than 1 year US$ million	1 – 2 years US$ million	3 – 5 years US$ million	Total US$ million
31 December 2015:					
Non-interest bearing	-	**3,133.7**	-	-	**3,133.7**
Variable interest rate instruments	**1.87**	**475.5**	-	-	**475.5**
		3,609.2	-	-	**3,609.2**
31 December 2014:					
Non-interest bearing	-	1,979.8	-	-	1,979.8
Variable interest rate instruments	2.09	609.9	-	-	609.9
		2,589.7	-	-	2,589.7

29. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15 and Note 16, cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

30. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding as at each year end. There were no instruments or any other items which could cause a dilutive effect on the earnings per share calculation.

	2015	2014
Profit for the year (US$ million)	**1,228.9**	937.0
Weighted average number of ordinary shares (Million)	**804.0**	650.0
Earnings per ordinary share – Basic and diluted (US$)	**1.53**	1.44

Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)

31. Dividend

A cash dividend equal to US$ 0.23 per share amounting to US$ 150 million for the year ended 31 December 2014 was proposed by the Board of Directors and approved by the shareholders in the annual general meeting on 22 March 2015. The dividend was paid on 29 March 2015.

An interim cash dividend of US$ 0.42 per share amounting to US$ 332.7 million for the period ended 30 June 2015 was approved by the Board of Directors on 4 August 2015. The dividend amount was paid as US$ 183.0 million on 29 September 2015 and balance US$ 149.7 million on 5 October 2015.

On 12 August 2014, an interim cash dividend of US$ 162.0 million was declared and paid to the Chief Executive Officer and the GDR holders in relative proportion of their shareholding.

32. Comparative figures

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been reclassified in the consolidated statement of financial position and the consolidated statement of cash flows for the prior year ended 31 December 2014, as previously reported:

Extract of consolidated statement of financial position:

	As previously reported US$ million	*Reclassification US$ million*	*As restated US$ million*
Liabilities – extract			
Advances from customers	-	1,985.1	1,985.1
Trade and other payables	2,950.6	(1,985.1)	965.5
	2,950.6	-	2,950.6

Extract of consolidated statement of cash flows:

	As previously reported US$ million	*Reclassification US$ million*	*As restated US$ million*
Operating activities – extract			
Increase in advances from customers	-	269.8	269.8
Increase in trade and other payables	652.1	(269.8)	382.3
	652.1	-	652.1

33. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 was approved by the Board and authorised for issue on 10 February 2016.