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

Interim condensed consolidated financial information and review report for the six month period ended 30 June 2015

Damac Real Estate Development Limited, DIFC
Dubai – United Arab Emirates

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Director's Report

The Directors have the pleasure in submitting their report together with the interim condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the period ended 30 June 2015. Profit for the period is US$ 721.3 million (2014: US$ 462.9 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 (Audited)		1,309.0
Effect of change in accounting policy (Note 5)		162.6
Balance at 1 January 2015		1,471.6
Profit for the period from continuing operations		
Revenue	1,292.2	
Cost of sales	(513.2)	
Other income	103.9	
Expenses	(161.6)	
Total		721.3
Dividend (Note 24)		(150.0)
Balance at 30 June 2015		**2,042.9**

On behalf of the Board of Directors

Chief Executive Officer

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Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Damac Real Estate Development Limited, DIFC** (the "Company") and its subsidiaries (together the "Group") as of 30 June 2015 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in shareholder's equity and interim condensed consolidated statement of cash flows for the period from 1 January 2015 to 30 June 2015, and a summary of significant accounting policies and other explanatory information. The Directors of the Group are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 '*Interim Financial Reporting*' ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*" A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche

04 AUG 2015

Damac Real Estate Development Limited, DIFC
Dubai – United Arab Emirates

Interim condensed consolidated statement of financial position
As at 30 June 2015

	Notes	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
ASSETS			
Property and equipment		**17.9**	16.3
Development properties	7	**2,042.9**	2,327.5
Other financial assets	8	**182.7**	232.0
Trade and other receivables	9	**1,007.9**	742.6
Financial investments	10	**36.0**	5.0
Cash and bank balances	11	**2,375.9**	1,799.3
Total assets		**5,663.3**	5,122.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	12	**800.0**	650.0
Statutory reserve	13	**41.3**	41.3
Group restructuring reserve	14	**(566.7)**	(566.7)
Retained earnings		**2,042.9**	1,309.0
Total equity		**2,317.5**	1,433.6
Liabilities			
Bank borrowings	15	**165.2**	75.3
Sukuk certificates	16	**644.9**	644.3
Due to a related party	17	**-**	11.0
Provision for employees' end-of-service indemnity		**9.1**	7.9
Trade and other payables	18	**2,526.6**	2,950.6
Total liabilities		**3,345.8**	3,689.1
Total equity and liabilities		**5,663.3**	5,122.7

Chief Executive Officer

Director

The accompanying notes form an integral part of this interim condensed consolidated financial information

Interim condensed consolidated statement of comprehensive income
For the period ended 30 June 2015

	Notes	3 months ended 30 June		6 months ended 30 June	
		2015	2014	**2015**	2014
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		US$ Million	US$ Million	**US$ Million**	US$ Million
Revenue	**19**	**630.9**	556.1	**1,292.2**	991.9
Cost of sales		**(281.7)**	(254.1)	**(513.2)**	(422.4)
Gross profit		**349.2**	302.0	**779.0**	569.5
Other operating income		**83.5**	35.1	**87.7**	37.3
General administrative expenses		**(37.1)**	(61.3)	**(116.6)**	(111.2)
Brokerage and commission		**(8.1)**	(16.8)	**(24.1)**	(30.7)
Depreciation		**(0.8)**	(0.7)	**(1.9)**	(1.7)
Operating profit		**386.7**	258.3	**724.1**	463.2
Other income		**2.5**	1.1	**5.0**	3.6
Finance income		**6.0**	1.8	**11.2**	4.8
Finance costs		**(9.9)**	(7.9)	**(19.0)**	(8.7)
Profit for the period		**385.3**	253.3	**721.3**	462.9
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
- Revaluation reserve on financial investments recycled to profit or loss on disposal		**-**	-	**-**	0.5
- Unrealised gain on financial investments		**-**	0.1	**-**	0.1
Total comprehensive income for the period		**385.3**	253.4	**721.3**	463.5
Earnings per ordinary share					
Basic and diluted (US$)	**23**	**0.50**	0.39	**1.01**	0.71

Interim condensed consolidated statement of changes in shareholders' equity
For the period ended 30 June 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 (Audited)	650.0	41.3	(566.7)	0.5	534.0	659.1
Profit for the period	-	-	-	-	462.9	462.9
Total comprehensive income for the period	-	-	-	(0.4)	0.5	0.1
Balance at 30 June 2014 (Unaudited)	**650.0**	**41.3**	**(566.7)**	**0.1**	**997.4**	**1,122.1**
Balance at 31 December 2014 (Audited)	650.0	41.3	(566.7)	-	1,309.0	**1,433.6**
Effect of change in accounting policy (Note 5)	-	-	-	-	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 period	-	-	-	-	721.3	**721.3**
Issue of new shares (Note 12)	150.0	-	-	-	-	**150.0**
Dividend (Note 24)	-	-	-	-	(150.0)	**(150.0)**
Balance at 30 June 2015 (Unaudited)	**800.0**	**41.3**	**(566.7)**	**-**	**2,042.9**	**2,317.5**

The accompanying notes form an integral part of this interim condensed consolidated financial information

Interim condensed consolidated statement of cash flows
For the period ended 30 June 2015

	1 January to 30 June 2015 (6 months) (Unaudited) US$ million	1 January to 30 June 2014 (6 months) (Unaudited) US$ million
Cash flows from operating activities		
Profit for the period	**721.3**	462.9
Adjustments for:		
Depreciation on property and equipment	**1.9**	1.7
Provision for employees' end of service indemnity	**1.7**	1.7
Amortisation of issue costs on Sukuk Certificates	**0.6**	-
Loss on retirement of property and equipment	**0.2**	0.7
Profit on disposal of financial investments	**-**	0.3
Finance costs	**19.0**	8.7
Finance income	**(11.2)**	(4.8)
(Reversal of)/provision for impairment on trade receivables	**(10.8)**	3.5
Operating cash flows before changes in operating assets and liabilities	**722.7**	474.7
Increase in trade and other receivables	**(250.7)**	(140.6)
Decrease in development properties	**122.1**	47.3
(Decrease)/increase in trade and other payables	**(103.2)**	219.9
Decrease in due to a related party	**(11.0)**	(1.2)
Cash generated from operations	**479.9**	600.1
Finance costs paid	**(18.8)**	(11.5)
Interest received	**11.5**	5.1
Employee end-of-service indemnity paid	**(0.5)**	(0.2)
Net cash generated from operating activities	**472.1**	593.5
Cash flows from investing activities		
Purchases of property and equipment	**(3.7)**	(5.0)
Acquisition of financial investments (Note 10)	**(31.0)**	(47.3)
Disposal of financial investments	**-**	30.4
Decrease/(increase) in deposits with original maturity of greater than three months	**5.5**	(394.8)
Decrease/(increase) in other financial assets	**49.3**	(52.6)
Net cash generated from/(used in) investing activities	**20.1**	(469.3)

The accompanying notes form an integral part of this interim condensed consolidated financial information

**Interim condensed consolidated statement of cash flows
For the period ended 30 June 2015 (continued)**

	1 January to 30 June 2015 (6 months) (Unaudited) US$ million	1 January to 30 June 2014 (6 months) (Unaudited) US$ million
Cash flows from financing activities		
Increase in share capital (Note 12)	**150.0**	-
Drawdown/(repayment) of bank borrowings – net	**89.9**	(76.9)
Net proceeds from issue of Sukuk Certificates	**-**	643.8
Dividend paid (Note 24)	**(150.0)**	-
Net cash generated from financing activities	**89.9**	566.9
Net increase in cash and cash equivalents	**582.1**	691.1
Cash and cash equivalents at the beginning of the period	**1,456.7**	545.7
Cash and cash equivalents at the end of the period (Note 11)	**2,038.8**	1,236.8

1. General information

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

The Company 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 (collectively the "Group") are involved in the development of properties in the Middle East.

During the period, 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 on 17 March 2015 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 condensed consolidated financial statements

The following revised IFRS, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these interim condensed consolidated financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current period and prior year but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018

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**
A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7 and IAS 19.	1 July 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of *Interests in Joint Operations.*	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

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)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's interim condensed 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 interim condensed 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 interim condensed 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 IFRS in issue but not yet effective that has been early adopted by the Group

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 3.4 and Note 5 for further details.

3. Summary of significant accounting policies

3.1 Basis of preparation

The interim condensed consolidated financial statements of the Group are prepared under the historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting ("IAS 34")* issued by the International Accounting Standard Board (IASB) and also comply with the applicable requirements of the DIFC regulations.

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2014, except for the early adoption of IFRS 15 "*Revenue from contracts with customers*" (refer Note 3.4).

These interim condensed consolidated financial statements do not include all the information and disclosure required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2014. In addition, results for the period from 1 January 2015 to 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The accounting policies disclosed in the annual audited consolidated financial statements for the year ended 31 December 2014 are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

3.2 Property and equipment

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

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

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

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

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

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

3.3 Development properties

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

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

Provisions 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.

3. Summary of significant accounting policies (continued)

3.4 Revenue recognition

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 entity 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 entity 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 agent and has concluded that it is acting as a principal in all of its revenue arrangements.

3. Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Revenue is recognised in the interim condensed consolidated financial information 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.

3.5 Basis of consolidation

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

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

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

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

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

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

When the Group loses control over a subsidiary, it:

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

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

3. Summary of significant accounting policies (continued)

3.5 Basis of consolidation (continued)

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

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

The Company consolidated 100% of the operations, assets and liabilities of the subsidiaries (excluding branches) listed below which in total are 75 companies (31 December 2014: 76) (together the "Group").

Entity	Place of incorporation	Principal activities	Legal interest	Economic interest
Damac General Trading LLC	Dubai, UAE	Holding company	100%	100%
Damac Ocean Heights Co. LLC	Dubai, UAE	Sales office	100%	100%
Frontline Investment Management Co. LLC	Dubai, UAE	Shell company	100%	100%
Al Aman Investment Management Co. LLC	Dubai, UAE	Holding company	100%	100%
Business Tower Investment LLC	Dubai, UAE	Real estate development	100%	100%
Damac Enterprises & Management Co. LLC	Dubai, UAE	Trade marks	100%	100%
Damac Media And Marketing LLC	Dubai, UAE	Marketing and public relations	100%	100%
Damac Properties Development Co LLC	Dubai, UAE	Holding company	100%	100%
Damac Properties Co. LLC	Dubai, UAE	Holding company	100%	100%
Marina Terrace Co. LLC	Dubai, UAE	Real estate development	100%	100%
Damac Gulf Properties LLC	Dubai, UAE	Real estate development	100%	100%
Lake Terrace Co. LLC	Dubai, UAE	Real estate development	100%	100%
Royal Crown Properties Co. LLC	Dubai, UAE	Holding company	100%	100%
Damac Star Properties LLC	Dubai, UAE	Real estate development	100%	100%
Island Oasis Properties LLC	Dubai, UAE	Real estate development	100%	100%
Damac Crescent Properties LLC	Dubai, UAE	Real estate development	100%	100%
Damac Development LLC	Dubai, UAE	Real estate development	100%	100%
Luxury Facilities Management Co. LLC	Dubai, UAE	Facilities management	100%	100%
Damac Tuscan Residence LLC	Dubai, UAE	Holding company	100%	100%
Global Properties Company Limited	Dubai, UAE	Real estate development	100%	100%
Middle East Properties Company Limited	Dubai, UAE	Real estate development	100%	100%
Damac Fortune Properties Company Ltd	Dubai, UAE	Real estate development	100%	100%
Damac Lake View Company Limited	Dubai, UAE	Real estate development	100%	100%

3. Summary of significant accounting policies (continued)

3.5 Basis of consolidation (continued)

Entity	Place of incorporation	Principal activities	Legal interest	Economic interest
Damac Properties Company Limited.	Dubai, UAE	Real estate development	100%	100%
Damac Park Towers Company Limited	Dubai, UAE	Real estate development	100%	100%
Excel Operations Company Limited	Dubai, UAE	Holding company	100%	100%
Damac Ocean Heights Company Limited.	Dubai, UAE	Hotels management	100%	100%
Damac Crown Properties Company Limited	Dubai, UAE	Real estate development	100%	100%
The Waves FZ LLC	Dubai, UAE	Real estate development	100%	100%
Damac Real Estate Developers FZ LLC	Dubai, UAE	Real estate development	100%	100%
Damac Properties FZ LLC	Dubai, UAE	Real estate development	100%	100%
Damac Real Estate Services Co LLC	Dubai, UAE	Holding company	100%	100%
Namaa Properties Development LLC	Dubai, UAE	Real estate development	100%	100%
Damac Homes LLC	Dubai, UAE	Group treasury operation	100%	100%
Kings Valley Investment Co LLC	Dubai, UAE	Shell company	100%	100%
Quality Investment Co LLC	Dubai, UAE	Shell company	100%	100%
Luxury Owner Association Management Services	Dubai, UAE	Facilities management	100%	100%
Elegance Marketing Co LLC	Dubai, UAE	Marketing and public relations	100%	100%
Damac Hotels & Resorts Management LLC	Dubai, UAE	Hotels management	100%	100%
Blue Eagle Investment Co LLC	Dubai, UAE	Trust arrangement	100%	100%
Damac TR Holding Co Ltd	Dubai, UAE	Holding company	100%	100%
Damac FC Holding Co Ltd	Dubai, UAE	Holding company	100%	100%
Damac Business Village LLC	Dubai, UAE	Investment company	100%	100%
Damac Private Real Estate Management LLC	Dubai, UAE	Sales office	100%	100%
Damac World Real Estate LLC	Dubai, UAE	Sales office	100%	100%
Damac Crescent Properties Co LLC	Abu Dhabi, UAE	Real estate development	100%	100%
Damac Luxury Real Estate Properties Co LLC	Abu Dhabi, UAE	Real estate development	100%	100%
Damac Heritage Properties Co LLC	Abu Dhabi, UAE	Real estate development	100%	100%
Ocean Pearl Real Estate Company LLC	Abu Dhabi, UAE	Real estate development	100%	100%
Damac Properties Services Co. Shj LLC	Sharjah, UAE	Sales office	49%	100%
Valencia Development Company WLL	Bahrain	Real estate development	100%	100%

3. Summary of significant accounting policies (continued)

3.5 Basis of consolidation (continued)

Entity	Place of incorporation	Principal activities	Legal interest	Economic interest
Abraj Al Rakhaa General Trading Limited	Iraq	Real estate development	100%	100%
Malak Al Rafidayn Properties Investment	Iraq	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%
Tilal Development Holding SAL	Lebanon	Holding company	100%	100%
Damac Properties International Limited	Mauritius	Holding company	100%	100%
Damac Enterprises Co. Ltd	Mauritius	Trade marks	100%	100%
Al Hikmah International Enterprises LLC	Qatar	Project development	49%	100%
Damac Properties Qatar WLL	Qatar	Holding 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%
Damac Properties Company Limited	Saudi Arabia	Real estate development	100%	100%
Ali Habib Kukar's Real Estate Office	Saudi Arabia	Sales office	100%	100%
Prosperity Trading WOFE	China	Trading company	100%	100%
Bright Gulf Investments Limited	BVI	Shell company	100%	100%
Majara Investments Limited	BVI	Investment company	100%	100%
Arjann Holdings Limited	BVI	Shell company	100%	100%
Maksab Holding Limited	BVI	Holding company	100%	100%
Priority Holding Limited	Cayman Island	Holding company	100%	100%
Alpha Star Holding Limited	Cayman Island	Holding company	0%	100%
Alpha Star Holding II Limited	Cayman Island	Trust arrangement	0%	100%

3.6 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014, except for financial investments.

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'.

5. Impact of IFRS 15 adoption

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 period ended 30 June 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			
Trade and other payables	2,950.6	(321.0)	2,629.6
Shareholders' Equity			
Retained earnings	1,309.0	162.6	1,471.6

Notes to the interim condensed consolidated financial statements
For the period ended 30 June 2015 (continued)

5. Impact of IFRS 15 adoption (continued)

Adjustments to the interim condensed consolidated income statement for the period are detailed below:

	As per IFRS 15 US$ million	As per old policy US$ million	Impact due to change US$ million
Revenue	1,292.2	904.9	387.3
Cost of sales	(513.2)	(348.2)	(165.0)
Profit for the period	721.3	499.0	222.3

6. 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".

	3 months ended 30 June		6 months ended 30 June	
	2015 (Unaudited) US$ million	2014 (Unaudited) US$ million	**2015 (Unaudited) US$ million**	2014 (Unaudited) US$ million
Revenue				
Domestic	**492.1**	360.0	**1,147.9**	795.8
International	**138.8**	196.1	**144.3**	196.1
	630.9	556.1	**1,292.2**	991.9

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Development properties		
Domestic	**1,597.6**	1,795.4
International	**445.3**	532.1
	2,042.9	2,327.5

7. Development properties

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Balance at the beginning of the period/year	**2,327.5**	1,932.7
Additions	**390.6**	1,189.5
Effect of change in policy (Note 5)	**(162.5)**	-
Transferred to cost of sales	**(512.7)**	(833.0)
Transferred to a related party	**-**	(4.0)
Impairment reversal	**-**	42.3
Balance at the end of the period/year	**2,042.9**	2,327.5

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:

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Land held for future development	**101.0**	140.1
Properties under development	**1,707.1**	1,876.1
Completed properties	**234.8**	311.3
	2,042.9	2,327.5

Notes to the interim condensed consolidated financial statements
For the period ended 30 June 2015 (continued)

8. Other financial assets

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Escrow retentions	**178.5**	228.5
Margin deposits	**3.5**	2.8
Other	**0.7**	0.7
	182.7	232.0

In accordance with applicable laws, the Group holds funds under escrow in Real Estate Regulatory 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 30 June 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

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Trade receivables	**821.9**	613.4
Provision for impairment on trade receivables	**(44.5)**	(55.3)
	777.4	558.1
Advances and deposits	**217.9**	171.3
Other receivables and prepayments	**12.6**	13.2
	1,007.9	742.6

Trade receivables represent amounts outstanding that are yet to be collected at the reporting date. Customers are allowed 30 days from each invoice date to settle outstanding dues.

10. Financial investments

During the period, the Group increased its investment in Damac International Limited, a related entity, from US$ 5 millon to US$ 36 million which represents a 20% equity interest in the related entity.

11. Cash and cash equivalents

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Cash on hand	**0.9**	0.2
Cash held in escrow	**2,023.7**	1,412.3
Bank balances	**11.3**	8.9
Fixed deposits	**340.0**	377.9
Cash and bank balances	**2,375.9**	1,799.3
Less: Fixed deposits with an original maturity of greater than three months	**(337.1)**	(342.6)
Cash and cash equivalents	**2,038.8**	1,456.7

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

12. Share capital

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Authorised, issued and fully paid shares of US$ 1 each	**800.0**	650.0

During the period, the Company received US$ 150 million towards increase in share capital pursuant to the Board of Directors' resolution dated 29 March 2015 and the shares were issued on 16 April 2015.

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

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Bank loans	**118.5**	40.0
Overdrafts	**46.7**	35.3
	165.2	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 repayment profile of the above bank borrowings is as follows:

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
On demand within one year	**136.2**	55.3
In the second year	**29.0**	20.0
	165.2	75.3
Less: Amount due for settlement within 12 months	**(136.2)**	(55.3)
Amount due for settlement after 12 months	**29.0**	20.0

Notes to the interim condensed consolidated financial statements
For the period ended 30 June 2015 (continued)

15. Bank borrowings (continued)

During the period, 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 period, US$ 10 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 2017.
- US$ 13.5 million (AED 50 million) term loan with a commercial bank bearing interest at 3 months EIBOR plus 3.5% per annum, repayable by 2018.

16. Sukuk certificates

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.

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Proceeds from the issue of Sukuk Certificates	**650.0**	650.0
Gross issue costs	**(6.3)**	(6.3)
Less: Amortised upto period/year end	**1.2**	0.6
Unamortised issue costs	**(5.1)**	(5.7)
Carrying amount	**644.9**	644.3

17. Related party transactions

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

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

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) 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:

	30 June 2015 (6 months) (Unaudited) US$ million	30 June 2014 (6 months) (Unaudited) US$ million
Construction works executed	**2.4**	-

During the period, the Group utilised construction services worth US$ 2.4 million from Draieh Contracting Company WLL, an entity under the control of the Chief Executive Officer.

17. 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*.

	1 January to 30 June 2015 (6 months) (Unaudited) US$ million	1 January to 30 June 2014 (6 months) (Unaudited) US$ million
Short term employee benefits	**2.4**	1.0
Termination benefits – EOSB	**0.1**	0.1
	2.5	1.1

18. Trade and other payables

	30 June 2015 (Unaudited) US$ million	31 December 2014 (Audited) US$ million
Advances from customers	**1,611.4**	1,985.1
Accruals	**216.3**	166.7
Other payables	**228.7**	216.0
Retentions payable	**134.7**	113.4
Deferred consideration for land payments	**335.5**	469.4
	2,526.6	2,950.6

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 interim condensed consolidated financial statements
For the period ended 30 June 2015 (continued)

19. Revenue

	3 months ended 30 June		6 months ended 30 June	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	US$ million	US$ million	**US$ million**	US$ million
Constructed apartments	**368.8**	424.4	**722.6**	686.8
Sale of land	**262.1**	131.7	**569.6**	305.1
	630.9	556.1	**1,292.2**	991.9

20. Contingent liabilities

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	US$ million	US$ million
Bank guarantees	**269.0**	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 the above dates.

21. Commitments

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

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	US$ million	US$ million
Contracted for	**1,684.9**	1,651.8

22. Fair value of financial instruments

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

Fair value of financial instruments measured at amortised cost

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

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

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

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 period end date, the carrying value of the financial assets and financial liabilities is approximate to their fair values. The entire portfolio of financial investments is classified as Level 3.

23. Earnings per share

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

	3 months ended 30 June		6 months ended 30 June	
	2015	2014	**2015**	2014
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit for the period (US$ Million)	**385.3**	253.3	**721.3**	462.9
Weighted average number of ordinary shares (Million)	**775.3**	650.0	**713.0**	650.0
Earnings per ordinary share – Basic and diluted (US$)	**0.50**	0.39	**1.01**	0.71

24. 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 proposed by the Board of Directors on 4 August 2015, which is subject to approval by the shareholders at the next Extraordinary General Meeting.

25. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information for the period ended 30 June 2015 was approved by the Board and authorised for issue on 4 August 2015.